



**MB&G Forester's Family Forest
Marion County, OR**

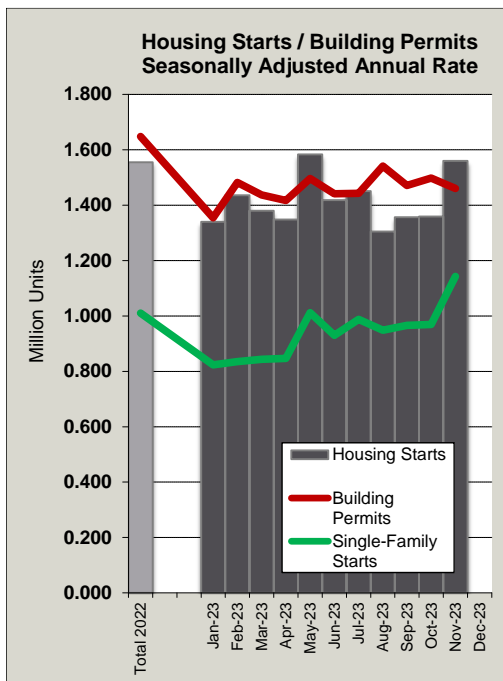
Happy New Year!

The main focus for most of us right now is reforestation, which is off to a somewhat clunky start as we deal with snow and ice and persistent rain that is preventing many nurseries from lifting seedlings. Hopefully seedlings can be ready to plant soon and we don't have a repeat of last year where we were planting low elevation areas in May. The log market remains solid even as the lumber market declines, which should remain the case as there is a limited supply of logs available. Pole and Cedar prices are consistently high, so if you have those products in your forest, now would be a good time to consider at least a selective harvest.

If you need help with your reforestation, 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 14.8% in November, to 1.56 million units, and they were also up 9.3% year over year. Single family starts increased 18% in November over the October, and year over year, they were up 42.2%.

Building permits decreased 2.5% in November, to 1.46 million units, but they were up 4.1% year over year. Single-family permits were up 0.7% in November, and up 22.8% year over year.

Single-family housing starts and building permits moved on opposite directions this month, but over the year both are up. Falling mortgage rates and the decreasing likelihood of a recession are both likely to support the housing market into 2024.

November 2023 Housing Starts (millions)

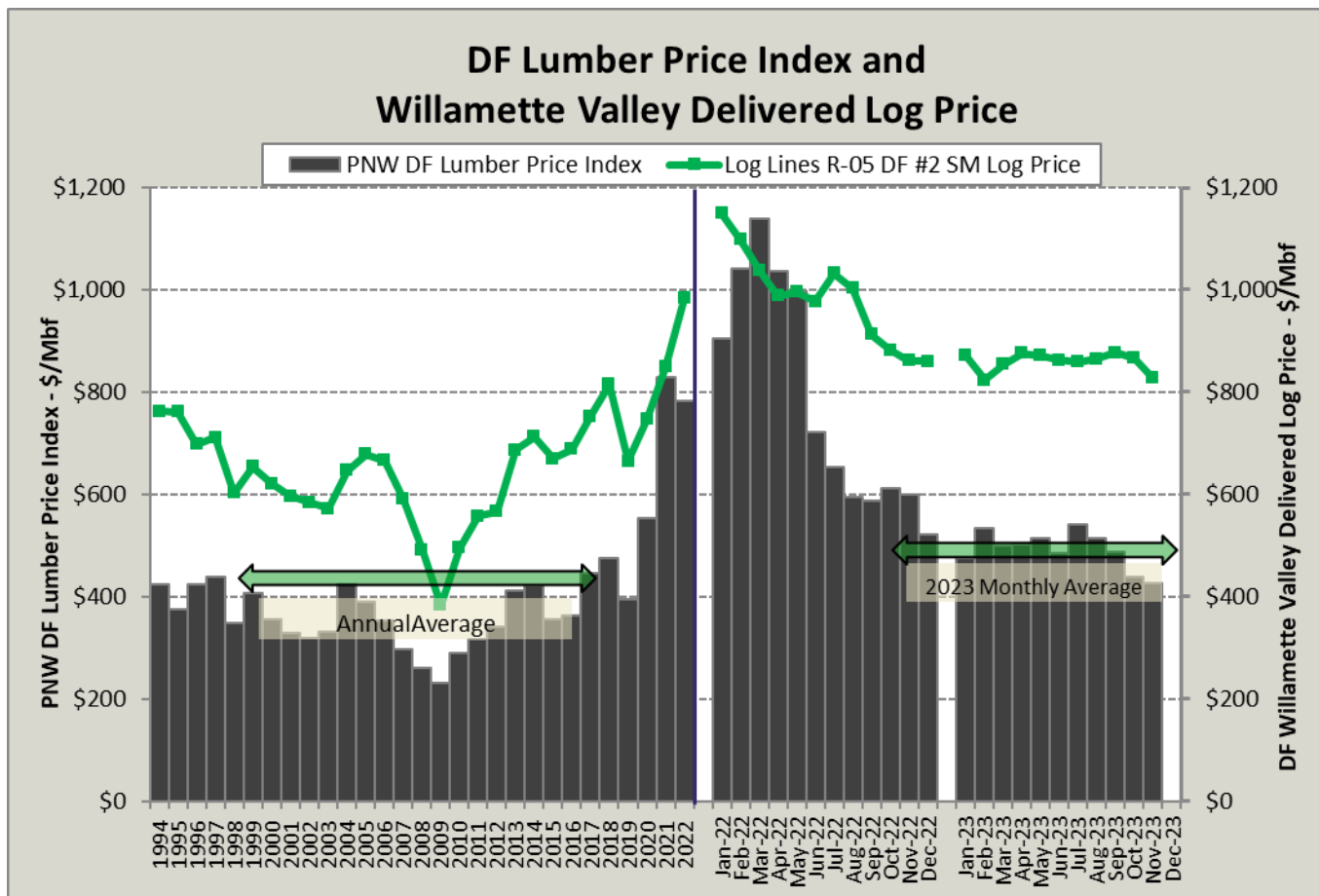
	Nov 2023	Oct 2023	Monthly Difference	Nov 2022	Annual Difference
All Starts	1.560	1.359	14.8%	1.427	9.3%
Single-Family Starts	1.143	0.969	18.0%	0.804	42.2%
Building Permits	1.460	1.498	-2.5%	1.402	4.1%
Single-Family Building Permits	0.976	0.969	0.7%	0.795	22.8%

LUMBER & LOGS

Published DF log and lumber prices were both down again in November, as shown below.

November DF #2S log prices decreased 4.6% from October, to \$827/Mbf. November log prices were also 4.1% below a year ago but were still 4% above the 5-year average.

At \$427/Mbf, the DF lumber index price decreased 2.7% from October. Lumber is down 28.9% from a year ago and is 29% below the 5-year average. The uptick in housing starts may result in a longer-term uptick in log and lumber prices. In the short run, however, lumber prices may be softening due to low off-season demand. Analysts are predicting an increase in lumber demand in 2024 (see the news below).



November 2023 Douglas-fir Prices

	Nov 2023	Oct 2023	Change from Previous Month	Nov 2022	Change from Previous Year	5 Yr Annual Average	Current Month Compared to 5 Yr Annual Avg
Logs	\$ 827	\$ 867	-4.6%	\$ 862	-4.1%	\$ 795	4.0%
Lumber	\$ 427	\$ 439	-2.7%	\$ 600	-28.9%	\$ 602	-29.1%

Lumber Track

YTD Western Mill Production through October was down 3.4% relative to October 2022. October production jumped 12% over September.

Monthly production as a percent of capacity increased 2% in October, to 80%. YTD production as a percent capacity was down 3% when compared to October 2022. Continued utilization under 80% is likely to continue unless housing starts increase significantly. (Western Lumber Facts, 12/14/23)

Western U.S. Softwood Lumber Production			
YTD Total (Bbf)		Monthly Total (Bbf)	
October 2023	11.61	October 2023	1.24
October 2022	12.02	September 2023	1.11
Percent Change		Percent Change	
-3%		12%	
YTD Production as a % of Capacity		Production as a % of Capacity	
October 2023	77%	October 2023	80%
October 2022	80%	September 2023	78%
Percent Change		Percent Change	
-3%		2%	

INDUSTRY NEWS



Fannie Mae Adjusts & Improves Forecast

According to a December press release from Fannie Mae, Single-family home sales are likely to improve in 1Q2024, due to the recent reduction in mortgage rates. They report that December mortgage applications were up 15% over November and an upward trend is likely to continue into next year.

Many homebuyers will continue to be challenged by affordability, the lock-in effect from current homeowners' resistance to leave their low interest rate mortgages, and a general lack of homes available for sale. The experts at Fannie Mae are calling for "a slow but meaningful recovery over the course of the next year."

Doug Duncan, Fannie Mae Senior Vice President and Chief Economist, stated, "Clearly, the many economic forecasters who previously forecasted a recession beginning in 2023 were wrong, including us. However, we continue to think there are reasons for concern that will likely lead to a mild economic downturn, including stretched consumer spending relative to personal incomes and the continued effects of restrictive monetary policy still working through the economy... Notwithstanding the recent mortgage rate rally, housing and mortgage markets will enter 2024 at approximately the same level as they entered 2023. Thus, while we think home sales will start to rise over the new year, the combination of modest increases in home prices and still-elevated interest rates suggest a slow pace of recovery from previously recessionary levels of housing activity." (Fannie Mae 12/18/23)



Optimism about Wood Product Demand in 2024

Dustin Jalbert, a senior economist at FastMarkets, predicts demand for wood products will increase in 2024 by 3% to 4%, and that lumber prices will increase 5% - 10% next year. The reason reported for his optimism is that interest rates are falling again, which should lead to better housing affordability and increased building. Residential construction, which includes both new construction and repair and remodel projects, makes up about 70% to 80% of the wood products market in the U.S., Jalbert says.

Wood product demand fell 1% to 2% decline in 2023, compared to the prior year. (Wood Products 12/21/23)

Small fire at Philomath Mill

Interfor's sawmill in Philomath had a fire on December 8th. The cause of the fire was a malfunctioning saw blade that generated sparks and ignited sawdust in the air, and the flames spread to the ceiling insulation.

Sawmill personnel attempted to put it out with fire extinguishers and hose lines, but Philomath Fire and Rescue was needed to fully extinguish the flames. Damage to the metal building was estimated at less than \$10,000 and no injuries were reported. (Philomath News 12/8/23)

PacifiCorp Settles with Timber Companies and Residents for 2020 Labor Day Fires

In December, PacifiCorp announced it had reached a \$250 million settlement with 10 timber companies to resolve a lawsuit related to the Archie Creek Fire in Southern Oregon, alleging PacifiCorp's employees ignored warnings from the National Weather Service on Labor Day weekend in 2020 and continued to operate its electrical equipment when they should have powered down. The lawsuit also claimed that PacifiCorp should have trimmed hazard trees and other vegetation that could have sparked power lines during the high winds that weekend.

Earlier in December, PacifiCorp paid \$299 million to settle a lawsuit brought by 463 Oregon residents who lost homes and property in the same fire, bringing the company's payouts to more than half a billion dollars in December.

"The 2020 wildfires were undeniably tragic, and PacifiCorp is pleased to resolve this matter on behalf of our impacted customers and communities," the company said in an issued statement, adding that the threat of wildfires is larger than any single industry and there need to be "holistic solutions" to preventing catastrophic fires. (OPB 12/18/23)

New Method for Tracking Timber Origin



The European Union wants timber production and distribution systems to more effectively trace timber origin all the way through the supply chain, in an effort to curb illegal timber trade.

Researchers at Fraunhofer IPM have developed a photo-based system that allows logs and trunk sections to be identified and digitized, based on the structure of the cut surfaces – similar to a fingerprint. The system is touted as being tamper-proof.

A specialized camera system, integrated into the forest harvester, records the cut surfaces and generates a fingerprint

code for each log. In a field study, using similar cameras, operators were able to identify and match the logs and log sections from the mill to their origin with over 98% accuracy.

In the past, other methods have been used to accomplish the task of tracing wood to its origin, but these methods were proven not to be tamper-proof. (PhysOrg 12/14/23)