



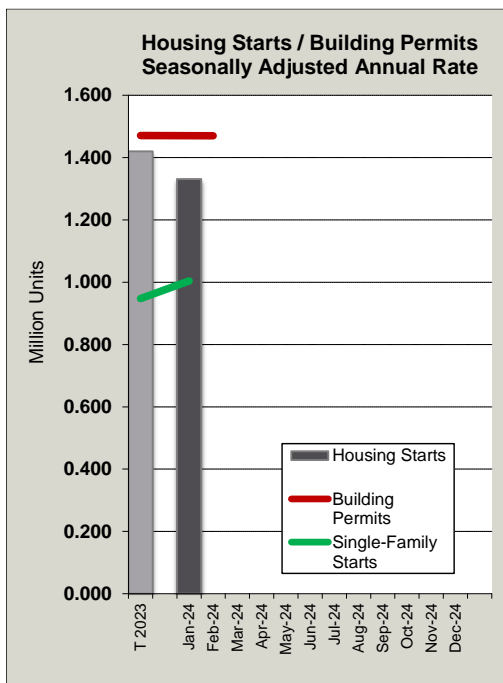
Family Forest Owner
Mason, Bruce & Girard Client
Washington County, OR

It was great to see many of you at the 34th Tree School last weekend. Small, non industrial landowners are a critical part of forestry in Oregon, representing 12% of all forestland area and harvesting over 400-million board feet annually, which is enough wood for 20,000 homes. Small landowners harvest nearly as much volume as the Forest Service, who owns five times the acreage. Not only does timber harvest by small landowners contribute to Oregon’s economy, but also to the health and vigor of forestland, as active forest management mitigates fire risk and is beneficial to wildlife and water resources.

If you need help with any aspect of the management of your forestland, 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 fell month-over-month by 14.8% in January, to 1.33 million units, and they were down 0.7% year-over-year. Single family starts dropped 4.7% in January from December, but year-over-year, they were up 22%.

January building permits decreased 1.5% from December to 1.47 million units, but they were up 8.6% year-over-year. Single-family permits increased 1.6% in January, and they were up 35.7% year-over-year.

Projections by analysts continue to anticipate that housing starts in 2024 will be similar or lower than in 2023.

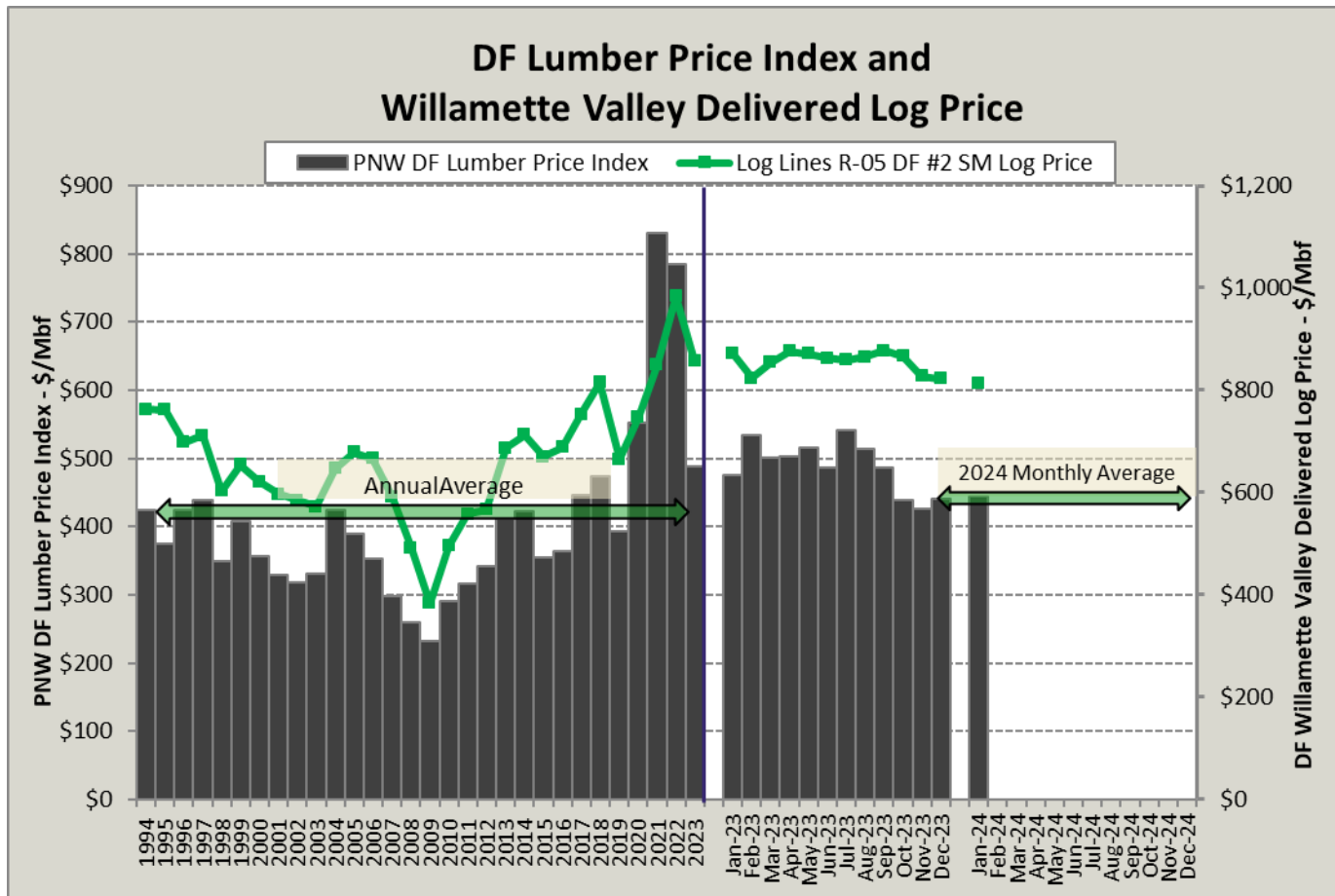
January 2024 Housing Starts Data					
	Jan 2024	Dec 2023	Monthly Difference	Jan 2023	Annual Difference
All Starts	1.331	1.562	-14.8%	1.340	-0.7%
Single-Family Starts	1.004	1.054	-4.7%	0.823	22.0%
Building Permits	1.470	1.493	-1.5%	1.354	8.6%
Single-Family Building Permits	1.015	0.999	1.6%	0.748	35.7%

LUMBER & LOGS

Published DF log and lumber prices were mixed in January, as shown below.

January published DF #2S log prices decreased 1.1% from December, to \$813/Mbf. January log prices were also 6.7% below a year ago but were still 1.2% above the 5-year average of \$804.

At \$444/Mbf, the DF lumber index price increased 0.7% from December. Lumber is down 6.6% from a year ago and is 26.6% below the 5-year average of \$605. Based on projections for housing starts, a slight increase in log and lumber prices is likely in 2024.



January 2024 Douglas-fir Prices							
	Jan 2023	Dec 2022	Change from Previous Month	Jan 2022	Change from Previous Year	5 Yr Annual Average	Current Month Compared to 5 Yr Annual Avg
Logs	\$ 813	\$ 822	-1.1%	\$ 871	-6.7%	\$ 804	1.2%
Lumber	\$ 444	\$ 441	0.7%	\$ 475	-6.6%	\$ 605	-26.6%

Lumber Track

YTD Western Mill Production through December 2023 was down 3% relative to December 2022. December production fell 9.1% from November.

YTD production as a percent of capacity was down 3% when comparing 2023 to 2022. Monthly production as a percent of capacity decreased 3% in December, to 76%. (*Western Lumber Facts, 2/6/24*)

Western U.S. Softwood Lumber Production			
YTD Total (Bbf)		Monthly Total (Bbf)	
December 2023	13.67	December 2023	0.98
December 2022	14.09	November 2023	1.08
Percent Change	-3.01%	Percent Change	-9.11%
YTD Production as a % of Capacity		Production as a % of Capacity	
December 2023	76%	December 2023	73%
December 2022	79%	November 2023	76%
Percent Change	-3%	Percent Change	-3%

INDUSTRY NEWS

Changes at Rosboro



In January, Rosboro released information about the importance and popularity of their glulam beams that are widely used in the mass timber industry. They are the largest producer of glulam products in North America. They say it is the glulam beams that support mass panels and keep them from collapsing on themselves.

Just weeks later, on February 1st, Rosboro announced the closure of their stud mill, due to the high cost of 5” to 11” logs. They plan to transition the stud mill and expand their glulam capacity by 50%. Mill improvements are expected to cost \$100 million and take two years. Twenty-five employees have been laid off due to the closure.

In the interim, Rosboro will continue to employ 295 Springfield employees and maintain operations at its lamstock mill, two planer mills, dry kilns, and three glulam manufacturing plants. (*Statesman Journal 2/9/24*)

Interfor Announces Philomath Mill Closure – Becomes Third Local Mill to Close in 2024

Interfor announced that production will be immediately slowed, with a complete shutdown of operations at its Philomath sawmill by the end of March, eliminating about 100 jobs in the small community west of Corvallis.

Interfor purchased the Philomath mill in 2021 from Georgia-Pacific. The mill produced a mix of kiln-dried and green Hemlock and Douglas-fir lumber with an annual capacity of 220 MMbf.

In addition, Interfor announced plans to temporarily reduce lumber production at its B.C. operations by approximately 30 MMBF in the first quarter of 2024. These curtailments are due to a combination of weak market conditions, low log inventory levels and unseasonably warm weather that continues to negatively impact log deliveries across many areas of British Columbia.

Interfor will continue to operate mills in Molalla, Longview, Wash. and Port Angeles, Wash.

Interfor’s Philomath mill will become the third Oregon sawmill to close since the start of the new year. Interfor cited “persistent high log costs in the region” and “weak lumber market conditions” as reasons for the shutdown. Hampton Lumber closed its Banks mill and laid off 58 in January, while Rosboro closed its Springfield mill and laid off 25 in early February. Hampton and Rosboro blamed two Oregon policies — the Habitat Conservation Plan and Private Forests Timber Accord — as a reason for the high price of logs this year and into the future. (*Salem Statesman Journal 2/19/24*)

Fannie Mae Home Purchase Survey Reaches Highest Level Since March 2022 in January

The Fannie Mae Home Purchase Sentiment Index (HPSI) increased 3.5 points in January to 70.7. This followed an increase of 2.9 points in December and it is the highest level since March 2022.

The January increase was reportedly due to increased consumer confidence in job security and in the expectation that mortgage rates will decrease within the next 12 months. A full 82% of consumers surveyed indicated no concern about job loss in the next 12 months, up from 75% in December. Additionally, 36% of respondents indicated that they expect mortgage rates to go down in the next 12 months, which is an all-time high for this indicator.

According to Doug Duncan, Fannie Mae Senior Vice President, and Chief Economist. “For the first time in our National

Housing Survey’s history, a greater share of consumers believe mortgage rates will decrease over the next year, rather than increase.

Accompanying an expectation of lower rates in the near future, only 17% of respondents indicated that now is a good time to buy a home.

Fannie Mae Consumer Surveys Attitude Toward Housing Market - Home Purchase Sentiment Index (HPSI)



While the chart above from Campbell Global does not include the January increase, it illustrates the HPSI trend over the last several years. (Fannie Mae 2/7/24, Campbell Global Feb 2024)

Starker Forests Hosts Annual Youth Tree Planting Event



On a Saturday morning in early February, Starker Tree Forests held their 33rd annual Starker Forests tree-planting day, where 120 youth and 100 adults from the community planted 1,200 trees on a working tree farm. The event is one of fun and education.

Older youth were involved with the event leadership and planning. They assisted with setting up the plots, so they learned about reforestation— selection, measurements, etc. They also learn about silviculture and worked as tree planting instructors to the other youth.

Jennifer Beathe, forester, and outreach manager for Starker Forests said, “We want to give them the chance to think about the future and think about the fact that they’re doing something for the benefit of the future here in the forest.” The event will be followed-up by tree-planting inspectors to ensure trees were planted properly for the best survival outcome. (Philomath News, 2/12/24)

New Research to Protect Trees from Bark Beetles

Environmental stressors like drought, overcrowding, and heat can weaken trees, and make them more vulnerable to bark beetle infestation.

Researchers say the key to protecting trees from bark beetle infestation is the language of subtle aromatic messengers called pheromones. Bark beetles communicate with pheromones to invite others to join them when they are infesting a tree or to warn others not to join them because that a tree is full.

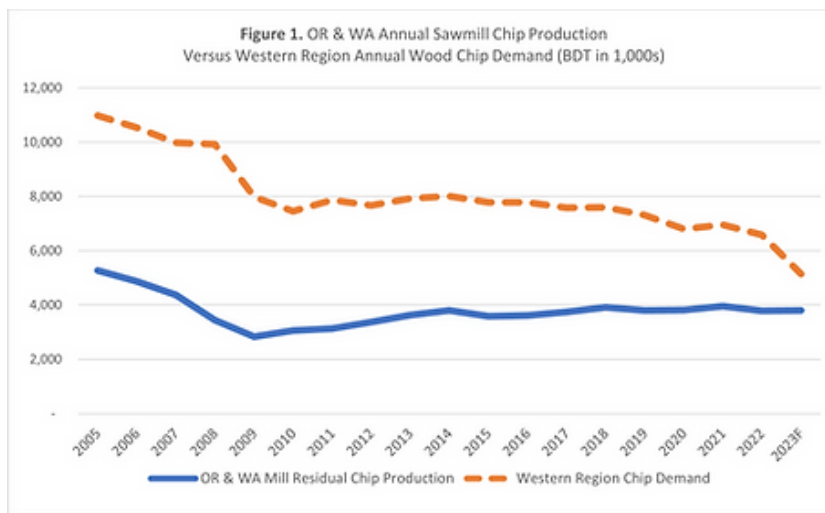
Through careful research, scientists have produced a formulation of verbenone, which can be applied to tree trunks in small doses or "dollops" to tell bark beetles "this tree is full", protecting the tree from infestation. (USFS 1/19/24)

[Note: A Google search shows that this product is available to purchase by the general public.]

What Happened to Our Chip Market?

The closure of many PNW pulp and paper mills has reduced demand for wood chips and pulp. Demand in other parts of the world has also been reduced. How has this affected mills and tree farms in the PNW?

The Beck Group reports that approximately 0.1 tons of chips are produced from every Mbf of lumber produced. This means that the 9 to 10 BBF of annual lumber production in Oregon and Washington over the last decade translates into about 4-million tons of annual sawmill chip production. As shown in the graph below, sawmill chip production has been steady while chip demand has declined since 2005.



With lower demand, mills are not getting paid as much for chips and mill residuals as they did in the past—if they can find a buyer at all. Additionally, most mills cannot store chips that quickly accumulate in low demand cycles. Because mills cannot sell the chips, and may need to pay to remove them, lumber prices rise.

These circumstances are more challenging for whole log chipping operations. They produce chips directly from small diameter roundwood stems, and their chips tend to be higher quality (more consistently sized) than mill residual chips,

generally bringing in more money. However, they are also more costly to produce, so when chip demand drops, whole log chip production is generally the first supply source to be cut off. For whole log chippers, the current circumstances look grim. (Beck Group 1/31/24)

Burn Boss School in Oregon



Oregon has just begun a new state certification program for burn managers, who are known as “burn bosses” in firefighting circles.

The new certified burn managers will be able to plan and lead prescribed burns that are ignited and allowed to burn across a specific area on much of the state’s privately-owned land. A lower-level group of qualified burn managers will be certified to set fire to burn piles.

Additionally, certified burners will have some limited protection from civil liability if a burn escapes containment lines.

About 20 other states have certified burn manager programs, and some states in the Southeast have trained their own workforces for decades. (Inside Climate News 1/29/24)

Studying Tree Failures under the 2021 Heat Dome

From June 25 to July 2, 2021, the PNW experienced a record-breaking heat wave that is now commonly called a heat dome. In those few days of high temperatures, many of the green leaves and needles on the Willamette Valley's trees were scorched and they turned orange, red and brown.

Since then, scientists have been studying not only the effects of drought, but also of heat on living trees in the region. When both heat and drought occur at the same time, it is now called a hot drought, and researchers say this can be extremely damaging to trees, as they are simultaneously exposed to dry soil and dry air. This can cause water-carrying tissues inside plants to collapse — a process called “hydraulic failure.”

Even more damaging is a hot drought combined with sunburn. It was reported that during the heat dome, while air temperatures around a Douglas fir tree reached 112 degrees Fahrenheit, the needles of the tree reached 124 Fahrenheit due to exposure to direct sunlight. This intense heat caused the needles to be scorched on the southern and western sides where they were exposed to the sun, while the needles to the north and east appeared to have no damage at all. (Oregonian 12/25/23)

How does wildfire Affect Snowpack?

University of Nevada Reno geography professor, Anne Nolin, reported findings from her study of the effects of wildfire on snowpack in the U.S. West. She found that burned areas resulted in the snow disappearing four to 23 days earlier than normal, and that melt rates increased by up to 57%.

Nolin also reported that while the spring run-off would increase from burned areas, the water would bring some amount of black carbon, changing the biogeochemistry and the quality of the aquatic ecology, and bringing more sediment coming into reservoirs. Water quality is also a concern.

Nolin stated, “There’s a really strong correlation between the length of the snow season, especially the spring snow disappearance date, and all of these different fire parameters, like the number of fires, the size of the fires, the number of fire complexes when two fires burn together, the overall burn severity of the fire...So all those things are amplified when we have declining snow packs and earlier snow disappearance dates.” (Mountain West News Bureau 2/12/24)