



**Family Forest Owner Client
Clackamas County, OR**

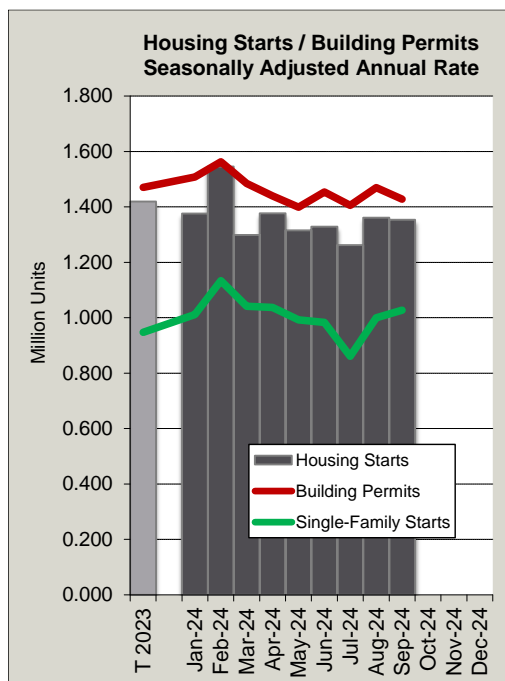
As planting season approaches, the main push will be to do the initial planting of recent clearcuts. But will interplanting be necessary in your previously planted units? How do you know? I presume most folks do some sort of “regen surveys”, but I’ve learned that many of these are “drive-bys”, or “walkthroughs” and only provide a general idea of the stocking throughout a unit. I’d recommend doing a survey (in the fall) that features at least two 100th-acre-fixed- plots per acre. These plots should be established in a grid pattern to ensure that there is through coverage across the unit. I’d consider 300 trees per acre full stocking overall, but be sure to analyze the stocking at individual plots as there may be “holes” in the unit where interplanting will be necessary even though the overall stocking is adequate. Interplant as necessary and keep doing the fall surveys until you have two consecutive passing surveys. This methodical procedure will ensure you have a productive forest for the future.

If you need help with your forest management, 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 works with the full range of forest landowners and offers a complete set of services, including timber harvests, silviculture, management plans, timber cruising, forestland valuations, and road maintenance.

Thanks – Brent

MARKET WATCH: HOUSING, LUMBER AND LOGS

HOUSING STARTS



Housing starts decreased by 0.5% in September, to 1.35 million units, and they were down 0.7% year-over-year. Single family starts increased 2.7% in August, and year-over-year, they were up 5.5%.

September building permits decreased 2.9% from August to 1.43 million units, and they were down 5.7% year-over-year. Single-family permits were up 0.3% in September, but they were down 1.2% year-over-year.

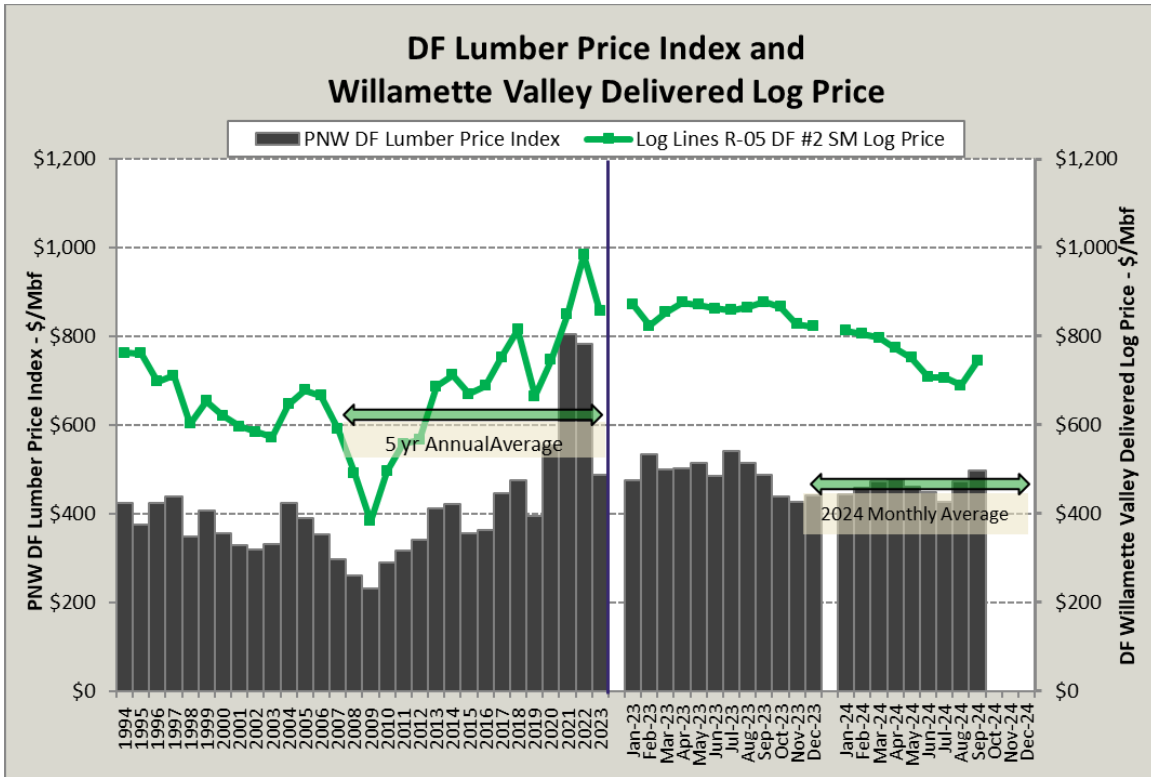
	Sept 2024	Aug 2024	Monthly Difference	Sept 2023	Annual Difference
All Starts	1.354	1.361	-0.5%	1.363	-0.7%
Single-Family Starts	1.027	1.000	2.7%	0.973	5.5%
Building Permits	1.428	1.470	-2.9%	1.515	-5.7%
Single-Family Building Permits	0.970	0.967	0.3%	0.982	-1.2%

LUMBER & LOGS

Published DF log and lumber prices were higher in September, as shown below.

September published DF #2S log prices increased 7.8% over August, to \$744/Mbf. September log prices were also 15.3% below a year ago, and they were 7.4% below the 5-year average of \$804.

At \$497/Mbf, the September DF lumber index price increased 5.4% over August. Lumber is up 2.2% from a year ago and is 17.8% below the 5-year average of \$605. The uptick in log and lumber prices in September is heartening. However, headwinds remain. In the long-term, log prices are tied to housing starts, and home repair and remodel. Projections for these sectors remain tepid for 2025.



September 2024 Douglas-fir Prices							
	Sept 2024	Aug 2024	Change from Previous Month	Sept 2023	Change from Previous Year	5 Yr Annual Average	Current Month Compared to 5 Yr Annual Avg
Logs	\$ 744	\$ 690	7.8%	\$ 878	-15.3%	\$ 804	-7.4%
Lumber	\$ 497	\$ 472	5.4%	\$ 487	2.2%	\$ 605	-17.8%

Lumber Track

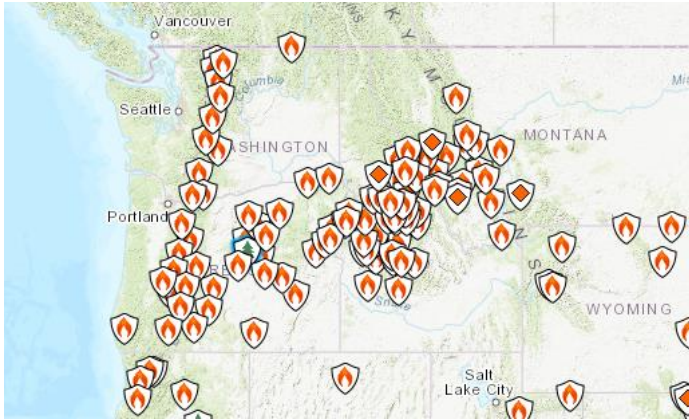
YTD Western Mill Production through August 2024 was down 4% relative to August 2023. August production increased 6.7% over July.

YTD production through August as a percent of capacity was down 3% when comparing 2024 to 2023. Monthly production as a percent of capacity increased 5% in August, to 72%. (*Western Lumber Facts, (10/14/24)*)

Western U.S. Softwood Lumber Production			
YTD Total (Bbf)		Monthly Total (Bbf)	
August 2024	8.86	August 2024	1.08
August 2023	9.24	July 2024	1.02
Percent Change	-4.16%	Percent Change	6.70%
YTD Production as a % of Capacity		Production as a % of Capacity	
August 2024	75%	August 2024	72%
August 2023	78%	July 2024	67%
Percent Change	-3%	Percent Change	5%

INDUSTRY NEWS

2024: The Year of the Wildfire in the West



With the arrival of seasonal rains and cooler weather, all Oregon Department of Forestry districts terminated fire restrictions as of Oct. 28, bringing an end to the state's historic fire season.

Year-to-date figures from October 7 showed over 39,000 fires had burned 7.6 million acres in the U.S. While the number of wildfires this year was below the 10-year average of 47,000, the number of acres burned was 23% higher than the 10-year average.

The most recent NW fires are still showing on the Inciweb map.

In the first week of October, The National Interagency Fire Center (NIFC) reported 27 large active wildfires were still burning in the western states.

Jim Wallmann, meteorologist at the National Interagency Fire Center in Boise, reported the late season has proven to be busy for fire fighters. Even as Fall's cooler conditions and lower sun angles aid firefighters, "when the winds blow, the fires are burning like they are in mid-August."

The fire season has been intense in Oregon in 2024. Through mid-October, the number of Oregon acres burned this season is 1.9 million, a state record. This is almost double the 1 million acres burned in the state in 2020. One notable cause for this statistic was a July heatwave, followed by severe storms that produced more than 4,000 lightning strikes in central, eastern and southwestern Oregon. Oregon also had several human-caused fires, and a lot of wind. (Random Lengths 10/11/24, Capital Press 10/17/24, Inciweb 10/21/24, Capital Press 10/28/24)

Scrambling to Pay for Oregon's Wildfire Costs



Oregon's Department of Forestry requested a \$60 million loan from the state treasury to cover wildfire costs, while awaiting Federal funding and a request for additional funding from the State Legislature. Wildfire costs for this year's fire season to date are \$317.5 million, leaving the agency with an expected \$133 million shortfall. By comparison the average ODF shortfall over the last four years averaged \$38.5 million per year. Of great concern is the need to pay fire-fighting contractors in a timely manner.

In response to this situation, ODF spokeswoman Joy Krawczyk wrote, "At the core of this situation is how wildfire response is funded in Oregon," she added. "The funding structure hasn't changed in decades, despite wildfire costs increasing dramatically."

Earlier this year, lawmakers ordered ODF and the state fire marshal to propose a new financial model for paying the cost of fighting wildfires, which are expected to grow as the climate continues to change.

For 2024, Oregon's governor, with support from the legislature, requested an emergency declaration from President Biden. If approved, the declaration would authorize FEMA grants for state, tribal, and local governments to help cover costs incurred for wildfire response and recovery in 2024. The governor also asked the President to waive Oregon's cost-share for the declaration because of a lack of state funding.

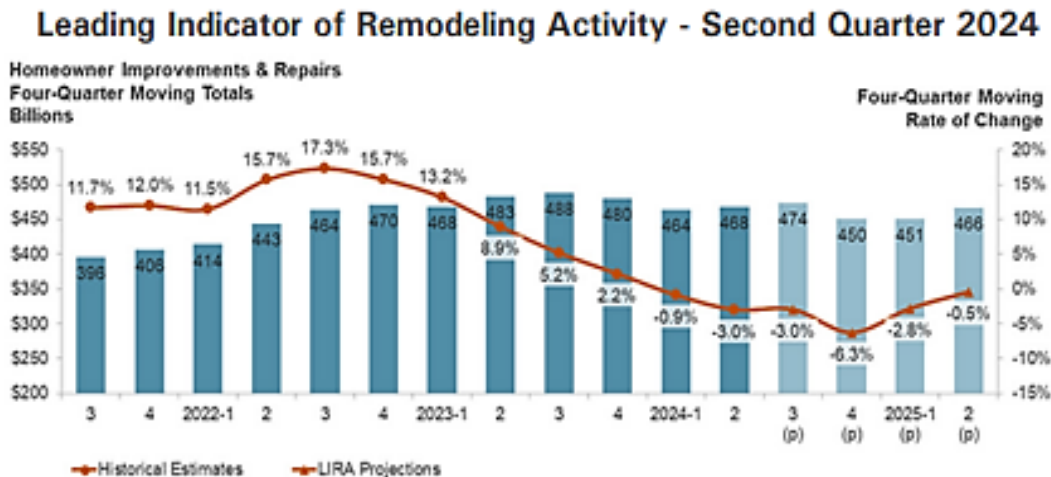
Governor Kotek’s letter stated, “Over 1.9 million acres burned (in Oregon), making it the largest wildfire season by acreage in Oregon’s history. For context, the state’s 10-year average acres burned is 640,000 acres...The estimated damages and cost to public infrastructure exceeds \$650 million, and this figure does not account for the long-term loss in revenue local businesses will experience as a result of these fires.” (Willamette Week 10/27/24, KOIN 10/24/24)

Home Sales and Remodeling

As reported by Campbell Global, existing home sales are still quite depressed going into 4Q2024, while new single-family home construction continues a slow climb in 2024, up 5.6 % from last year.

Home repair and remodeling is expected to have a small downturn in 4Q2024, and then

pick-up going into the first and second quarter of 2025. New home construction and home remodeling are both leading indicators for lumber (and timber) demand. (Campbell Global September 2024)



Housing Market Optimistic but Restrained

The Fannie Mae Home Purchase Sentiment Index® (HPSI) increased in September to 73.9, its highest level in more than two years, with 42% of participants reporting that they expect mortgage rates to decline in the next year. The full index is 9.4 points higher than this time last year.

While reduced mortgage rates have eased some affordability issues, home prices are still increasing. Single-family home prices increased 5.9% from Q3 2023 to Q3 2024.

Mark Palim, Fannie Mae Senior VP, and Chief Economist stated, “Even though mortgage rates fell precipitously in the third quarter, and we saw some improvements to the months’ supply of homes for sale, home purchase activity barely budged – at least on a national basis – which we view as evidence that the market remains significantly constrained by both the ‘lock-in effect’ and affordability generally, but especially elevated home prices.” (Fannie Mae 10/7/24 & 10/15/24)

Economy on Firmer Footing, Housing Affordability Still a Challenge

According to the economists at Fannie Mae, the U.S. economy is in better shape than previously thought. This change in status is largely due to improvements in reported U.S. payroll growth. While they are still projecting a slowdown in economic growth, they predict growth of 2.3% in 2024 and 2% in 2025.

Interest rates were also discussed in their latest economic forecast, which projects the 30-year mortgage rate ending 2024 at 6.0 percent, with a continued decline ending 2025 at 5.7 percent. However, they do not see a large easing of housing affordability as their projections show annual home prices to grow 5.8 percent in 2024 and 3.6 percent in 2025. (Fannie Mae 10/17/24)

New Carbon Plan for the Elliott State Forest



All 83,000 acres of Oregon's Elliott State Research Forest will be enrolled in the voluntary carbon credit market. It is anticipated that the forest will be enrolled in the carbon market in 2025, following finalization of a habitat conservation plan currently under review. Income from the selling of carbon credits is estimated to be worth nearly \$9 million over the next decade. [MB&G note: \$9 million is equivalent to about 1 year of harvest from the Elliott State Research Forest]

Under the pending forest management plan, clear-cutting would be allowed on about 25% of the forest, and selective cutting of 80- to 100-year-old trees would be allowed on about 13% of the forest. The remainder of the forest could be thinned to promote habitat, forest health, and biodiversity, but would otherwise be managed for research, animal habitat and carbon storage.

Oregon State University and members of the Confederated Tribes of the Coos, Lower Umpqua and Siuslaw Indians have all publicly opposed this plan for the Elliott State research Forest, due to worries about the future availability for research on the land. (Oregon Capital Chronicle 10/15/24)

Is North America's Largest Carbon Market Getting Larger?

California, Quebec and Washington each have carbon markets for companies that cannot reduce their pollution release below established caps in those jurisdictions. Companies exceeding their pollution limit are required to purchase environmental permits called allowances, sold in quarterly auctions. California and Quebec have run their auctions together since 2014. Now Washington's newer Cap and Trade program is looking to link with California and Quebec, increasing the size of the biggest mandatory carbon market in North America.

The announcement has received support from many businesses and "green groups" who hope other states and even international entities will follow this example and create similar Cap and Trade systems.

In a joint statement, the three entities stated, "We believe linkage will strengthen our respective efforts to fight climate change and reduce air pollution, while also encouraging more governments to adopt scalable, market-based climate policies in the future. We will continue sharing information and collaborating in pursuit of linkage and these shared goals."

There are regulatory and political hurdles that must be accomplished before the three markets can be linked. It is estimated that this process would not be completed before late into 2025. (WA Dept. of Ecology 9/23/24, Politico 10/10/24)

Pension Funds Seek Investment in Forestland

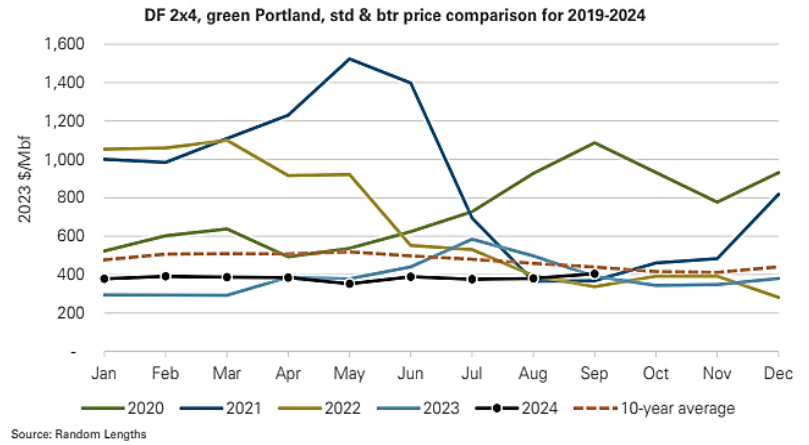
Increasing demand for investments promoting ESG (environmental, social, governance) interests has amplified interest in forestland as a key strategy in pension investment portfolios.

While pension funds increased interest in forestland as an investment class in the 1980s, due to the expected long-term stability, diversification, and inflation protection of such investments. Today, forestland is sought not only for its financial benefits but also for conservation interests, like carbon sequestration and environmental sustainability, making it a top ESG-related asset.

The U.S. South remains a prime region for forestland investments, holding 58% of the 766 million acres of U.S. forestland. The U.S. is attracting investors from European pension funds as well, due to the known high standards for forest management and sustainability in the U.S., making it well-positioned to benefit from this trend. (Lesprom 10/7/24)

D-F Lumber Prices Unusually Flat in 2024

As this chart illustrates, through August, the 2024 Douglas-Fir lumber prices in the U.S. West have remained fairly flat, leaving them below the 10-year average and well below three of the last four years (the Covid years). As most of the other numbers dropped in the Fall, the 2024 lumber prices remained stable and approached “average” in September. (Campbell Global September 2024)



Wildfire Cost Recovery in Oregon

Each year, the Oregon Department of Forestry responds to around 1,000 wildfires. The cause of each major fire is investigated. If the cause is traced to negligence or through willful acts, ODF pursues reimbursement for firefighting expenses.

“About 70% to 80% of fires are human caused, but most of those are not willful, malicious or negligent,” said Tim Holschbach, chief of policy and planning with the (ODF) department’s fire protection division.

The costs for fighting wildfires are significant. In the past 20 years, ODF spent at least \$24 million responding to 36 significant human-caused wildfires. From seventeen of those fires, only \$86,000 has been recovered towards the costs incurred. ODF is still actively trying to recover about \$15 million for wildfires started since 2011.

Recovering costs from people who have only limited resources can be challenging, or impossible, and the cost of attempting the recovery can also be significant. This can lead to settlements for some fires.

Cost recovery is intended to alleviate the burden on taxpayers. While some reimbursement has been collected, many investigations are dropped due to complexity and unlikelihood of being able to recover costs. (Oregon Capital Chronicle 10/2/24)

Forestry Days 2024

In September, Oregon Department of Forestry's Astoria office and demonstration forest hosted Forestry Days, an annual event to get 6th grade students into the forest. More than 400 students attended the Clatsop County Sixth-Grade Forestry Days in 2024. Students learned about career opportunities in natural resources through hands-on activities at outdoor stations: tree planting, wildland fire fighting, wood products, fisheries, recreation, tree identification, wildlife rescue, mushrooms and tree measurements.



Various organizations, including Oregon State University and Oregon Women in Timber came together to lead the event, emphasizing the importance of the forest and natural resources. (ODF 10/4/24)