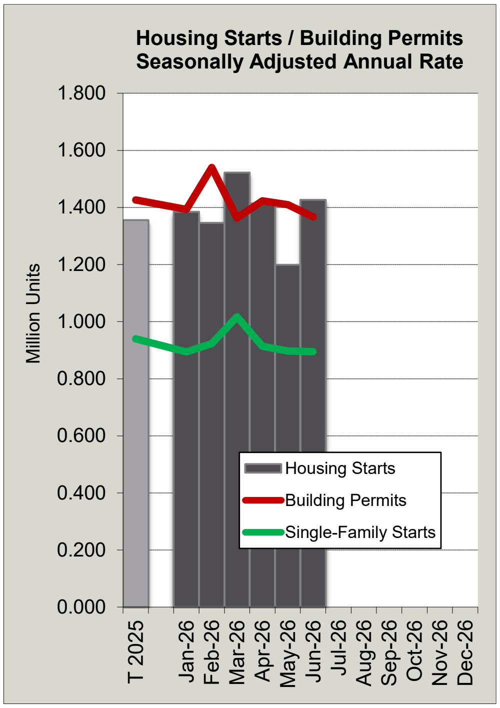
Family Forest Owner
MB&G Client
Marion County, OR

Even though my fire app is continuously chiming with the latest fire notifications, it has seemed to me to have been a mild summer in northwest Oregon and southwest Washington. It will be interesting to see if in this area we get above a Level II this year in terms of Industrial Fire Precaution. Log prices remain solid and have risen in some areas. The pulp-log market is becoming more and more challenging as some key facilities have for a variety of reasons shutdown in the last few years. This changes the strategy for first entry thins and other operations where pulp is a significant component of the volume. Firewood sellers should have no trouble keeping their splitters running these days.

If you need help with reforestation, log marketing, silviculture, or other aspects of managing 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, road builders, 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

In June, housing starts increased 19%, to 1.43 million units, and were up 3.5% year-over-year. Single family starts were down 0.2% in June, and down 3.2% year-over-year.

June building permits decreased 3% from May, and were down 2.3% year-over-year. Single-family permits were down 2.4% from May, to 0.87 million units, and were down 0.2% from the same month in the prior year.

June 2026 Housing Starts (millions)

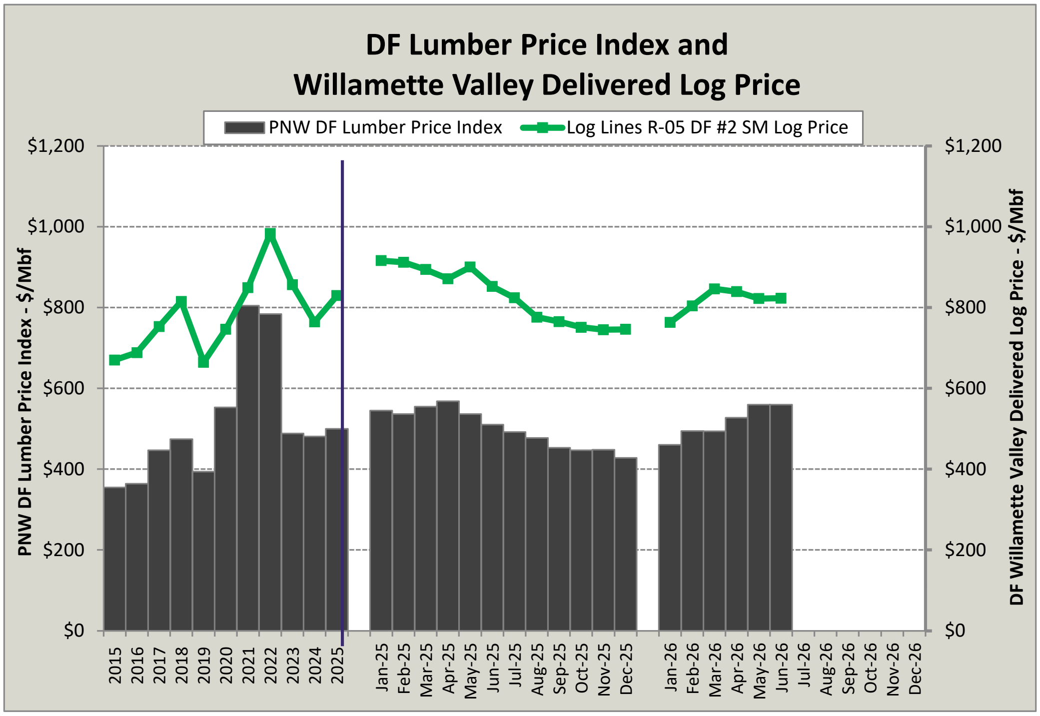
	June 2026	May 2026	Monthly Difference	June 2025	Annual Difference
All Starts	1.427	1.199	19.0%	1.379	3.5%
Single-Family Starts	0.895	0.897	-0.2%	0.925	-3.2%
Building Permits	1.367	1.410	-3.0%	1.399	-2.3%
Single-Family Building Permits	0.871	0.892	-2.4%	0.873	-0.2%

LUMBER & LOGS

Published DF log prices were stable in June, as shown below**.**

June published Douglas-fir (DF) #2S log prices increased 0.1% from May, to $823 per thousand board feet (MBF). June log prices were 3.4% below a year ago, and 5.3% below the 5-year average of $869.

At $559/Mbf, the June DF lumber index price was unchanged from May. Lumber is up 9.7% from a year ago and is 8.6% below the 5-year average of $612.



June 2026 Douglas-fir Prices							
	June 2026	May 2026	Change from Previous Month	June 2025	Change from Previous Year	5 Yr Annual Average	Current Month Compared to 5 Yr Annual Avg
Logs	$ 823	$ 822	0.1%	$ 852	-3.4%	$ 869	-5.3%
Lumber	$ 559	$ 559	0.0%	$ 510	9.7%	$ 612	-8.6%

Lumber Track

YTD West Coast Mill Production through May 2026, as reported by Western Wood Products, was 2% below May 2025. May production was 10% below the prior month.

YTD production through May, at 80% of capacity, was 1% below the same period in 2025. At 81% of capacity, May's monthly production was 1% below the prior month. (*Western Lumber Facts, (7/9/26*)

West Coast Softwood Lumber Production			
YTD Total (Bbf)		Monthly Total (Bbf)	
May 2026	3.38	May 2026	0.65
May 2025	3.46	April 2026	0.72
Percent Change	-2%	Percent Change	-10%
YTD Production as a % of Capacity		Production as a % of Capacity	
May 2026	80%	May 2026	81%
May 2025	81%	April 2026	82%
Percent Change	-1%	Percent Change	-1%

INDUSTRY NEWS

Seasonal Weather Outlook: Unusually Hot

The National Weather Service's Climate Prediction Center forecasted above-average temperatures and normal precipitation for Oregon in August, September and October. Normal precipitation is very light in August and increases in September and October.

Beyond September, the climate center expects a “very strong” El Nino to shift winter storms to the south, with the Northwest expected to experience warmer and drier weather going into winter. (Capital Press 7/17/26, National Weather Service 7/27/26)

Death Toll Rises in WA Paper Mill Chemical Rupture

As reported last month, the Nippon Dyna Wave paper mill in Washington had a rupture in their 500,000-gallon tank that contained a slurry of sodium hydroxide, sodium sulfide and disodium carbonate, a chemical mixture used to break down wood for making paper. The rupture expelled a flood of caustic chemicals powerful enough to overturn pickup trucks and damage buildings at the site.

The incident is being called one of the deadliest U.S. workplace accidents in recent decades, after causing the death of eleven employees, all of them having suffered alkaline chemical burns. Two employees are still reported missing and assumed dead.

More than 500 workers are idled but being paid their full regular wages through the first week of August. (ABC News 6/11/26, Longview Fire Department 6/11/26, KNKX 6/23/26)

U.S. Sawmill Production and Capacity

U.S. sawmill production fell for the second consecutive quarter in 2026. Sawmill output remained largely flat since 2023, after increasing in the post-pandemic period. As mills have closed or curtailed, capacity dropped by about 6% in 2025. Year over year, utilization rates increased about 2% due to the lower capacity, ending 1Q2026 at 71.8%. Lumber prices rose about 6% in 1Q2026 but were down 3.8% from a year ago.

Sawmill employment also dropped in 1Q2026. This marked the twelfth straight quarterly decline, bringing mill employment to its lowest level since 2010. (NAHB 6/24/26)

Housing Market Reports

According to Campbell Global, while housing affordability continues to challenge many would-be home buyers, the trend for housing affordability is slowly improving. Median-priced homes have become more affordable each quarter over the last year for median income earners. In 2Q2025, a median income earning household would need to spend 36-37% of their income on a median-priced home. In 1Q2026, that same median-income household needed to spend 32% to purchase a median-priced home. (Campbell Global, May 2026)

Percentage of Median Income Required to Purchase Median-priced Home

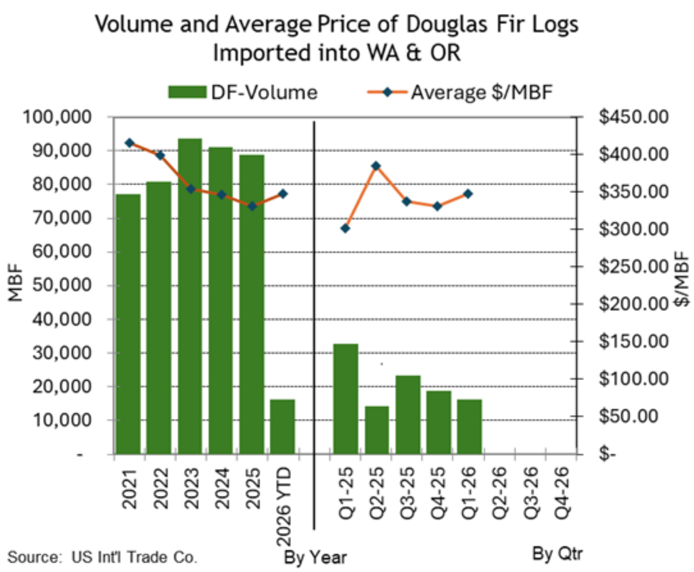
Type of home	2Q2025	3Q2025	4Q2025	1Q2026
Existing Homes	37%	36%	34%	32%
New Homes	36%	35%	34%	32%

Sam Khater, Freddie Mac's Chief Economist, also commented on an increase in home sales. "Pending home sales have increased three months in a row, indicating there's latent demand and homebuyers are ready to jump back into the market if mortgage rates decline."

However, Freddie Mac also reported that mortgage rates began to climb again in May, reaching 6.53% near the end of May, after brushing 6% in early March. (Freddie Mac 5/28/26)

The National Association of Home Builders reported that overall, housing starts decreased 15.4% in May. Most of the decline was in muti-family housing. Single-family starts only decreased 1.9% while the multifamily sector decreased 40.2%. Regionally, combined single-family and multifamily starts were 17.5% higher in the Northeast, 4.1% lower in the Midwest, 1.6% lower in the South, and 4.9% lower in the West. (NAHB 6/16/26)

Softwood Log Imports Decreasing in OR & WA



Lesprom reports a reduction in 2026 global softwood import volume between 1Q2025 and 1Q2026. Total imports across the 10 largest softwood lumber import markets by volume fell by 3.9 million m^3, about 1,653 MMbf.

MB&G created this chart to see how this reduction might be affecting the local timber market. The chart indicates a gradual annual decline in Douglas-fir imports in the region each year since 2023. Import log prices in this region had a $47/Mbf increase between Q12025 and Q12026 while volume of imports decreased by about half in the same period. (Lesprom 5/28/26)

California's New Cap and Invest Program

California's Air Resources Board (CARB) adopted amendments to California's Cap-and-Invest Program in June 2026. The program has also been extended to 2045. Here are some of the changes:

- The name changed from "Cap and Trade" to "Cap and Invest," emphasizing the incentives for businesses to invest in changes that will reduce their emissions of carbon, and not just trade their carbon emissions for credits indefinitely.
- To incentivize businesses to reduce their carbon emissions, offsets will be retired after they are used, at a rate of 11% per year, reducing the amount of available credits over time and likely driving up the costs for the credits. This prevents offsets from expanding, along with pollution.
- California Climate Credits will be issued to consumers to help with the rising costs of electricity bills during peak seasons.
- Some free credits are being offered to in-state oil refineries to offset the immediate financial burdens on these companies and reduce the amount passed onto consumers at the pump. However, in the long-term, gasoline prices could be dramatically increased if oil refineries do not reduce their emissions quickly and the free credits run out.

Other changes are also in the works. California and Quebec, which already have linked carbon markets, have signed a memorandum of understanding to add Washington State to their combined market. This will increase both the supply of credits and the demand for credits. No projections as to the impact on carbon prices of the newly combined markets have been made public yet.

(Politico 5/29/26, Canary Media 6/1/26, Morgan Lewis 6/12/26, California Public Utilities Commission 6/23/26, Greenwire 6/26/2026)

ODF and AI

Oregon Department of Forestry (ODF) is utilizing new technology for wildlife surveys. After decades of sending biologists into the woods to conduct surveys, the agency is now turning to sound recorders and AI because the cost is lower and information can be gathered over longer timeframes.

To gather information about owls, like the threatened northern spotted owl, biologists have traditionally used callback surveys at night, and typically for just one night at each location. Not only does this procedure gather limited data, but there are also safety risks from both driving and hiking in the forest at night.

ODF now utilizes over 20 autonomous recording units to record environmental sounds such as bird calls and frog choruses over long periods of time without any human intervention. Once retrieved, AI-assisted software processes the audio recordings and converts the sound waves into spectrograms, which are visual representations of frequency over time. Each species' calls produce distinct patterns on these images, allowing the software to identify and differentiate sounds, which are then validated by biologists. (OPB 6/13/26)

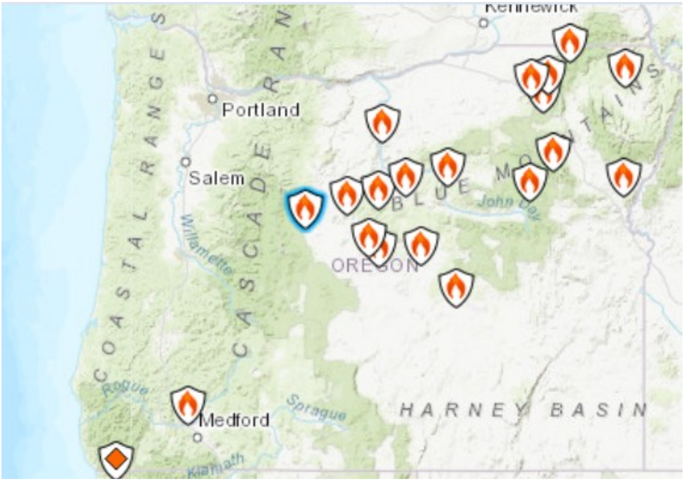
Lesser-Known Challenge to Home Building

A recent Home Builders Institute and National Association of Home Builders report estimated that the U.S. will need over 700,000 additional skilled home builders each year to keep pace with new housing demand. The shortage is already affecting how quickly homes can be built. According to Home Builders Institute President and CEO Ed Brady, labor constraints are extending construction timelines and driving up costs. (Fox Business 7/12/26)

Building Costs Up from 2025

The overall residential construction input index was 6.2% above June 2025, even though it declined 0.1% from May. Year-over-year, Softwood lumber prices were 7% higher and building-material prices were 4.6% higher than in June 2025. While gypsum building-material prices declined by 1.1%, energy input prices were 40.9% higher than in June 2025, roofing asphalt prices increased by 9.2%, ready-mix concrete prices were 1.9% higher. Even the trade services and warehousing prices were up year-over-year. (US Bureau of Labor Statistics; NAHB analysis)

Active Fire Season in Oregon

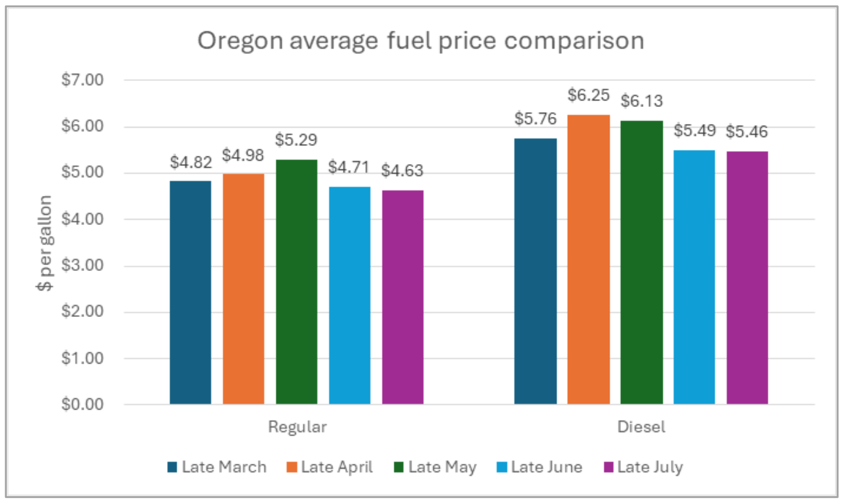


Capital Press reported 21 active fires in Oregon on July 20th. The largest was Rowe Creek Complex fire at over 142,000 acres in Wheeler, Wasco and Jefferson counties, with zero percent containment. The smallest was the Pilot fire at 120 acres, located east of Bend and fully contained.

The National Multi-Agency Coordinating shifted to the highest wildfire preparedness level (level 5) on July 18th, as fires burned throughout the West. Preparedness level 5 means resources are fully committed on an ongoing basis and fire managers in active areas must take emergency measures to sustain incident operations. (Capital Press 7/21/26, Inciweb 7/24/26)

Focus on Diesel Prices

Fuel prices in Oregon are down slightly since last month. This trend reflects the drop in crude oil prices early in June and in early July, as fighting in Iran subsided and ships began to move through the Strait of Hormuz. Brent crude oil prices spiked over $100 a barrel on July 23 but have since fallen below $90. Fuel prices seem likely to remain elevated in August as tensions remain, but will likely remain below the levels seen in April and May (aaa.com, Trading Economics 7/28/2026).



USDA Funds Oregon Mill Expansion

Myers Woodline has been awarded a $30 million federally-guaranteed loan from the USDA, to expand operations and build a new sawmill in Clatskanie, OR (about 20 miles west of Longview, WA and 60 miles NW of Portland) to “bolster the region’s timber industry.”

This loan is available as a part of a government initiative to increase domestic timber production by 25%, reduce wildfire risk, and reduce American dependence on other nations for lumber products.

“This investment in the Timber Production Expansion Partnership program demonstrates an important step towards strengthening America's wood products infrastructure, and rural economies,” said Forest Service Chief Tom Schultz in a statement. “This supports (the) Forest Service’s ability to actively manage the land, reduce the risk of wildfire, and ensure wood products from our national forests support rural communities.” (The Center Square 7/23/26, Fordaq 7/27/26)