



**WOODLAND**

**Forest Management Co.  
PROFESSIONAL FORESTERS**

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# News for Family Forests

## August 2017

The dog days of August are upon us, which in 2017 feature extreme heat and a much-hyped solar eclipse. It has generally been an average fire season (See article below).

Log prices continue to soar across the Pacific Northwest due in part to a strong construction market, decreased Canadian lumber production, and strong export prices. From July to August, prices increased as much as \$50 per MBF. It continues to be an excellent time to sell your timber, but the challenge of finding a logger is an ongoing issue – not only due to the busy summer season, but also due to a labor shortage (See article below). Though it is challenging, I do have operators available that could fit-in your project before the end of the prime harvest season.

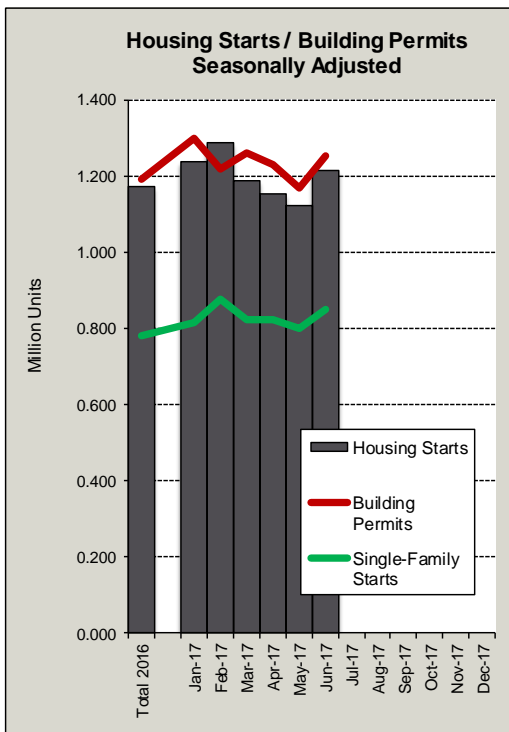
In addition to timber harvests, Woodland offers a variety of services – including timber cruising, reforestation, management plans, pre-commercial thinning, competition control in plantations, forestland valuations, and road maintenance. Give me a call any time (503) 654-2221.

- Brent



### MARKET WATCH: HOUSING, LUMBER AND LOGS

#### HOUSING STARTS



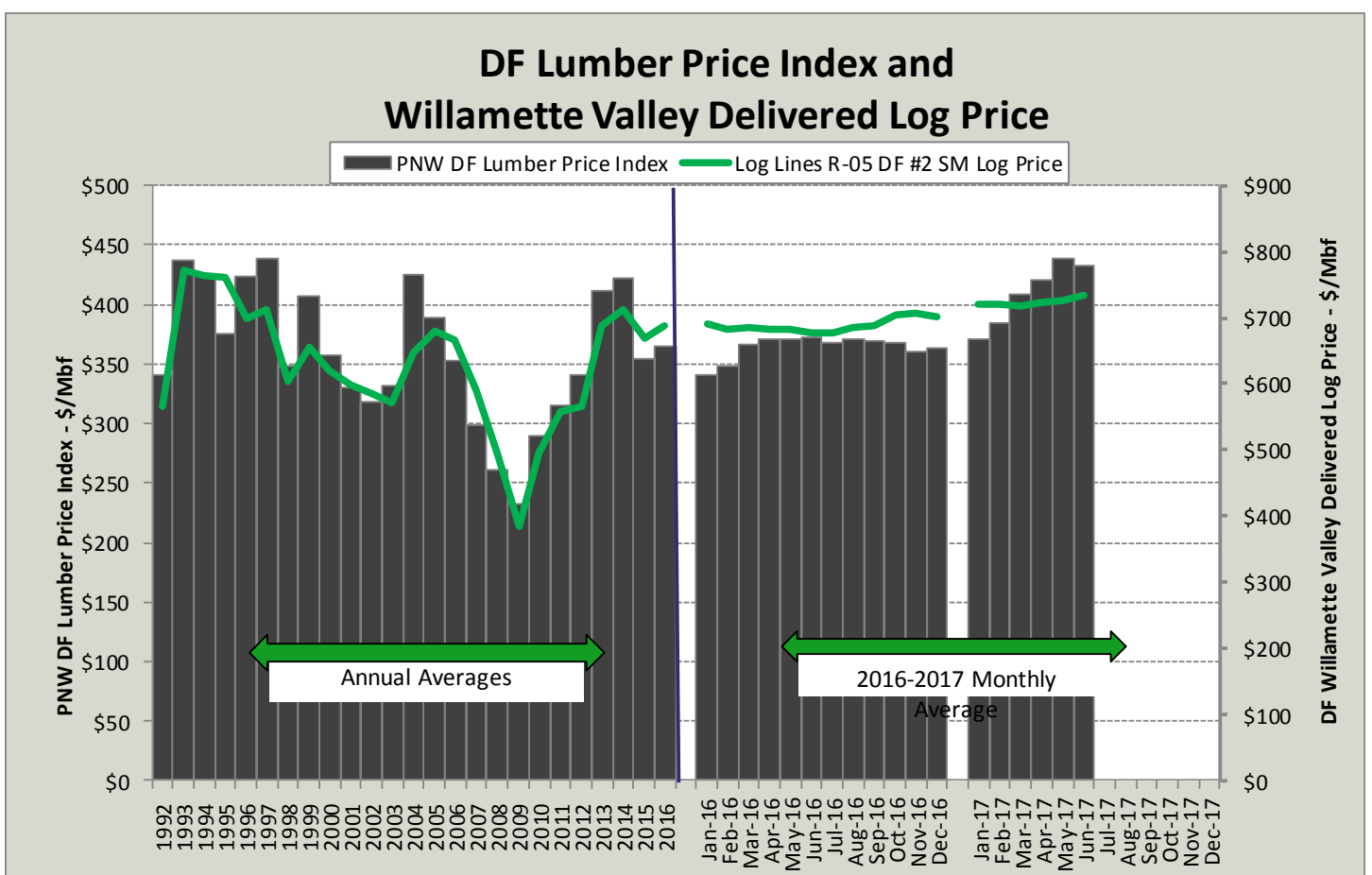
The housing market is an important indicator of the log and lumber market. When the housing market is booming, demand goes up and so do log and lumber prices.

U.S. housing starts in June increased to 1.215 million units (SAAR), up 8.3% from the revised May estimate, and 2.1% above June 2016. Single-family starts increased to 0.849 million units (SAAR), up 6.3% from May and 10.3% higher than June 2016.

	June 2017	May 2017	Change from Previous Month	June 2016	Change from Previous Year
All Starts	1.215	1.122	8.3%	1.190	2.1%
Single-Family Starts	0.849	0.799	6.3%	0.770	10.3%
Building Permits	1.254	1.168	7.4%	1.193	5.1%
Single-Family Building Permits	0.811	0.779	4.1%	0.743	9.2%

Source: U.S. Census Bureau

#### LUMBER & LOGS



Lumber and log prices increased in May. Lumber prices increased 4.3% and log prices had an increase of 0.69%. Both are still substantially above the figures from one year ago. (Note that lumber and log prices are on different scales)

- May DF #2S log prices, as reported by Log Lines, increased \$5 to \$727/Mbf, which is 6.6% better than May 2016.
- At \$438.96/Mbf, the DF lumber index price increased in May by 4.37% over the prior month and was an impressive 18.45% higher than one year ago. The lumber price increase is attributed to the ruling on the countervailing duty against Canadian lumber.

	June 2017	May 2017	Change from Previous Month	June 2016	Change from Previous Year	5 Yr Annual Average	Current month compared to 5 Yr Annual Average
Logs	\$ 733.00	\$ 727.00	0.8%	\$ 678.00	8.1%	\$ 664.95	10.2%
Lumber	\$ 432.78	\$ 438.96	-1.4%	\$ 373.00	16.0%	\$ 378.92	14.2%

Sources: Log Lines Willamette Valley DF #2S monthly average price & WWPA Pacific NW Coast Douglas-Fir monthly lumber

## MARKET NEWS

### NEW STREAM BUFFER RULES TOOK EFFECT IN JULY

New rules to protect cold water streams that support salmon, steelhead or bull trout took effect July 1, 2017. The new rules will create slightly larger buffers along some streams. These changes may impact your forest management plans. Read more about the changes here:

<http://www.oregon.gov/ODF/AboutODF/Pages/ProposedLawsRules.aspx>.

(OFRI, 7/5/17)

### CLACKAMAS FIRE DISTRICT DECLARES TOTAL BURN BAN

Clackamas Fire District #1 fire officials have issued a total outdoor burn ban for all areas within the 235-square-mile fire district and moved the fire danger level to extreme, beginning 5 p.m. Tuesday, Aug. 1.

The burn ban was issued due to high temperatures, extremely dry conditions and lack of any recent rainfall. The fire district will likely stay in a total burn ban until the end of fire season and conditions change, said Deputy Chief Doug Whiteley.

The ban includes recreational campfires, fire pits, yard debris and agricultural burning. Fire district officials won't be issuing any burn permits until further notice. (*The Clackamas Review*, 8/2/17)

### 2017 NORTHWEST WILDFIRE SEASON OUTLOOK: AVERAGE

In May, the Northwest Interagency Coordination Center reported that the 2017 NW fire season was expected to be average. However, the announcement also included a warning that there will be a stint of increased danger in the days immediately preceding and following the August 21<sup>st</sup> solar eclipse, due to increased recreationists in the forests. (*Oregonian*, 5/18/17)

So far, this prediction seems accurate. In the table below, we compare the year-to-date Oregon fire data with the 10-year average for the period of January 1<sup>st</sup> to August 7<sup>th</sup>. In 2017, there have been slightly more than the average number of fires and a much lower number of acres burned than what is reported on the 10-year average for this point in the year.

	Human caused fires	Lightning caused fires	Total number of fires	Total acres burned
2017 YTD as of 8/7/17	457	109	566	2009
10 yr Avg YTD Jan 1 - Aug 7	382	170	552	23390

ODF Statistics

### WORKFORCE SHORTAGE AFFECTS LOGGING

Economists and business leaders are predicting a worsening supply of skilled workers in the U.S. over the next decade. The logging industry is already facing a shortage of trained workers. The Associated Oregon Loggers cite four reasons for difficulty in hiring:

1. Lower wages than jobs in other rural industries
2. Challenging work conditions and expectations
3. An uncertain career path with unknown regularity
4. Generational avoidance of trade careers

To resolve these issues, the industry needs a transformation that will provide modern workers with modern paradigms; including innovation, elevated compensation, and trusted long-term relationships. (*AO Mainline*, July 2017)

### HOMEOWNERSHIP RATE AT 50-YEAR LOW

According to a new study commissioned by the National Association of Realtors (NAR), the U.S. homeownership rate is stuck at a 50-year low because of these five causes:

- 1) Post-foreclosure stress disorder - For the 9 million homeowners who experienced foreclosure and the 8.7 million who lost their jobs in the great recession, there are long-lasting psychological changes in financial decision-making.
- 2) Mortgage availability - Credit standards have not normalized following the great recession; borrowers with good-to-excellent credit scores are not getting approved at the rate they were in 2003.
- 3) Student loan debt - Young households are repaying an increasing level of student loan debt that makes it extremely difficult to qualify for a mortgage.
- 4) Single-family housing affordability - Many markets are experiencing decaying affordability because of lack of inventory, higher rents and home prices, difficulty saving for a down payment, and investors scooping up single-family homes. U.S. home prices rose 7.3% to a median sale price of \$298,000 in June, which is the highest national median sale price since 2010.
- 5) Single-family housing supply shortages - Single-family home construction plummeted after the recession. There is a cumulative deficit of nearly 3.7 million new homes over the last eight years. The number of homes for sale fell 10.7% compared to last year.

Still, 84% of Americans see homeownership as a good investment, and with job markets improving and mortgages at historically low rates, continued recovery is expected.

According to Redfin, some of the toughest and fastest-moving markets are Denver, Portland, and Seattle, with the typical home in each market finding a buyer in just seven days, and 26.6% of homes being sold above their list price. (*Toledo Business Journal*, 7/1/17 & *NAR Press Release*, 7/13/17)

### RUMORS OF A NEW SLA IN THE WORKS

Unnamed trade contacts have speculated that the framework for a 10-year softwood lumber agreement could be reached in the coming weeks. In a report released by Hamir Patel of CIBC World Markets, it was stated that a deal setting quotas on Canadian softwood exports could be acceptable to the U.S. lumber industry if Canada drops several demands. These would include withdrawing a request that New Brunswick be excluded from any softwood agreement restrictions. "We now believe there is a greater than 50% probability that the two sides could announce an agreed-upon framework by the end of August," Patel wrote.

According to an article in the Canadian Press, the Trump administration may sign a deal that would gradually reduce Canada's share of the U.S. market to somewhere between 27% and 28% over several years, from its 31.9 % share in 2016.

A spokesman for Foreign Affairs Minister Chrystia Freeland declined to comment on "rumors until a deal is reached that is favorable to both sides." The U.S. Lumber Coalition also said it wouldn't comment on speculation. (*Canadian Press*, 7/13/17)

### LUMBER TRACK REPORT

- U.S. sawmills produced 10.97 Bbf of softwood lumber in the first four months of 2017, an increase of 0.6% from 10.9 Bbf in the same period last year.
- Western U.S. sawmills accounted for 4.5 Bbf of the four-month total, down 1.3% from 4.58 Bbf a year earlier, while production at southern U.S. sawmills rose by 2.2% to 5.9 Bbf in the same period.
- U.S. softwood lumber consumption in the four-month period is estimated to have increased 2.9% from the prior year.

Canadian sawmills produced 9.65 Bbf of softwood lumber in the first four months of 2017, a gain of 1.6% from a year earlier. Of that total, sawmills in B.C. accounted for 4.45 Bbf, down 3.0% from the year before. (*WWPA*, 7/18/17)

### WELCOME TO OREGON, HOME OF THE CLEARCUT!

In 2013, the Port of Portland refused to allow a controversial ad to be displayed in the Portland International Airport. The ad featured a post-card like design and a photograph of a clearcut in Oregon's Coast Range, with the tag line "Welcome to Oregon, Home of the Clearcut!" It was part of a statewide campaign funded by Oregon Wild, The Sierra Club, Audubon Society of Portland, and the Center for Biological Diversity.

In June, the court ruled the message free speech. "This is a victory for free speech and a victory for the environment," said Sean Stevens, Executive Director of the conservation group Oregon Wild. "The Port of Portland will no longer be able to help the clearcutting industry greenwash Oregon's weak forestry laws. We plan to submit a new ad to the Port of Portland and the airport immediately to make sure Oregonians and visitors understand the threats now facing public lands and forests." (*Press Release*, 6/28/17)

### PESTICIDE BAN IN LINCOLN COUNTY

Measure 21-177, or the Freedom from Aerially Sprayed Pesticides Ordinance of Lincoln County, was passed in May by 61 votes. However, the wording seems to suggest that vigilantes can take the law into their own hands if the county does not enforce the ban. Because of this, Newport resident and forestland owner Rex Capri filed a lawsuit challenging the constitutionality of the measure. While the aerial spray ban will be effective during the lawsuit, the "direct action" component will not protect those who enforce the ban from criminal prosecution (*Daily News*, 7/7/17)

### B.C. WILDFIRES CLOSE MILLS: LUMBER PRICES INCREASE

Wildfires in the British Columbia Interior have forced some sawmills to curtail operations, resulting in a boost in lumber prices. The timing coincides with U.S. imposed tariffs of 27% for softwood lumber exported to the U.S.

The benchmark lumber price for Western spruce-pine-fir lumber has risen 5.5% to \$400 per Mbf from \$379 according to figures from Random Lengths. "It's a big jump," said Shawn Church, Random Lengths editor.

Ketan Mamtora, an analyst with BMO Capital Markets, said he expects prices will rise 6-8% from mid to late July, due to a limited supply and fear over lumber shortages. Harry Nelson, an assistant professor of forestry at the University of British Columbia, said the province's entire production would have to be wiped out for such a spike to occur. He isn't concerned for B.C. lumber producers, saying the gaps in production will be filled elsewhere and the short-term lift in prices means more money in their pockets after tariffs are paid. (*The Canadian Press*, 7/14/17)

### JULY ENDURES DOZENS OF FIRES IN THE WEST

Red flag warnings were issued for northern California, southern Oregon, northeastern Utah and northern Montana as crews battled dozens of fires in the U.S. west, and the National Weather Service forecasted hot summer temperatures in July.

Flames have charred more than twice as much land mass in California so far in 2017 than a year earlier, according to a Forestry and Fire Protection spokeswoman. (*Thomson Reuters*, 7/14/17) [So far, the larger fires in Oregon are east of the Cascades.]

### LONE ROCK TIMBER MANAGEMENT FOLLOWS THROUGH WITH LAWSUIT OVER FAILED ELLIOTT SALE

As promised, Lone Rock Timber Management, the company behind the sole bid for the Elliott State Forest, filed a lawsuit in early July alleging Oregon violated its own policies when elected officials "unilaterally and wrongfully terminated" an agreement to sell the land to a private company for \$220.8 million. The timber company is seeking \$1.3 million for out-of-pocket expenses plus \$2 million in "lost business opportunity damages," and 9% interest on those expenses.

The lawsuit reads, "Lone Rock would not have spent significant time, effort, and money on the proposed purchase of the Elliott if it knew the representations and promises of defendants were not truthful, could not be reasonably relied upon, or would never be performed."

Oregon lawmakers also recently approved Senate Bill 847, which creates a process by which lands obligated to generate revenue for the Common School Fund can be transferred to other public entities that can better manage them and keep them open to the public. (*The Oregonian*, 7/8/2017)

### CALIFORNIA THREATENS TO STOP FIGHTING FIRE IN NATIONAL FORESTS

The head of California's emergency services, Mark Ghilarducci, claims the U.S. Forest Service owes the state \$18 million for fighting fires in national forests in 2016, saying "I cannot continue to support the deployment of resources to protect federal land that ultimately may bankrupt our local governments." The USFS claims that about \$14 million was paid to local governments by the end of June, and that the two entities are trying to resolve differences over the remaining sum, which included administrative costs that may not be reimbursable.

Nearly half the land in California is federally owned, and the greatest percentage of that is located within 18 national forests. The dispute stems from longstanding commitments that coordinate with and reimburse firefighters for work on federal lands. The federal government is supposed to repay local governments within two months, but California claims that more than 90% of payments from last year missed that deadline. (*AP*, 7/8/17 & *USFS Press Release*, 7/10/17)

 **CONSERVATIONISTS AND LOGGERS AGREE: WASHINGTON NEEDS MORE MILLS**

Conservationists and the logging industry have been joined by the state's Wildland Fire Advisory Committee (WFAC) in agreement that more mills are needed in Washington State to help restore forestland in poor health.

The number of Washington mills has steadily declined since 1968, when there were 491; there were only 97 mills remaining in 2014. Contributing to the mill closure rate, has been the significantly dropping rate of timber harvests in the last three decades. In 2015, Washington DNR reported 2.8 Bbf harvested on both private and public land. In 1990, the total harvest was over twice that amount at 5.8 Bbf.

Although the relationship between forest health and wildfires is not clearly understood, WFAC cites the loss of milling infrastructure as preventing landowners to address forest health issues factoring in increasing the intensity and costs of wildfires. (*The Lens*, 7/13/17)