



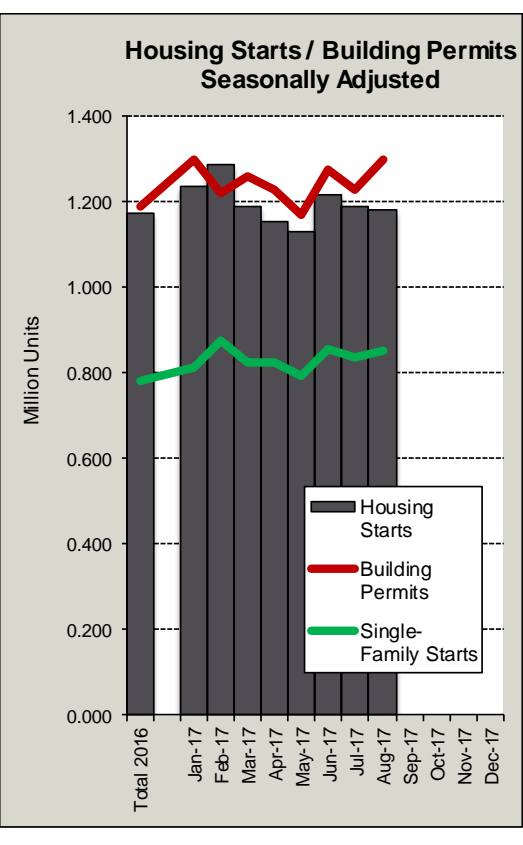
Summer is behind us, and the smell of fall reminds me it's time for hunting and the World Series. In terms of forestry, it's time for site preparation and slash burning before the main planting season begins this winter. If you have harvest units that need to be planted this winter/spring, don't delay in ordering seedlings. Most nurseries still have seedlings available, but inventories will vanish in the next few months.

As I said last month, there is nothing that indicates there will be a decline in the high log prices any time soon. It is an excellent time to sell your timber. The additional cost of preparing roads for the rainy season is much easier to absorb when markets are up.

If you need help with any aspect of your reforestation, or want to plan a timber harvest, give me a call at (503) 654-2221 or email me at [bkeller@woodlandmgmt.com](mailto:bkeller@woodlandmgmt.com). In addition to reforestation and timber harvests, Woodland offers a variety of services – including timber cruising, management plans, pre-commercial thinning, competition control in plantations, forestland valuations, and road maintenance.

- Brent

**MARKET WATCH: HOUSING, LUMBER AND LOGS**



**HOUSING STARTS**

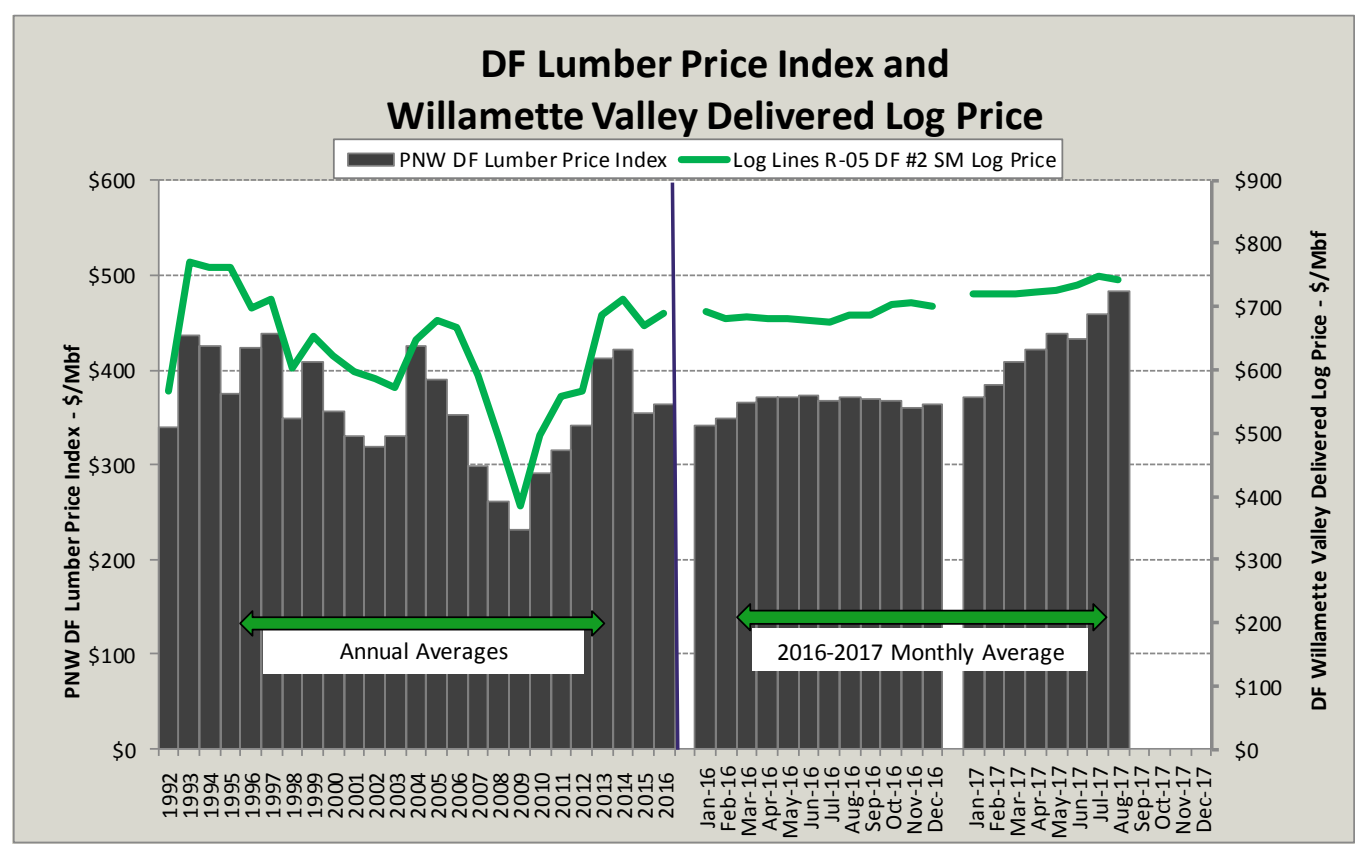
The housing market is an important indicator of the log and lumber market. When the housing market is booming, demand goes up and so do log and lumber prices.

U.S. housing starts in August remained fairly steady at 1.18 million units (SAAR), down just 0.8% from the revised July estimate, but 1.4% above August 2016. Single-family starts increased to 0.851 million units (SAAR), up 1.6% from July, and 17.1% higher than July 2016. Housing is the last economic indicator to recover from the Great Recession. (*Wall Street Journal*, 9/19/17)

August 2017 Housing Starts (million units, seasonally adjusted):					
	August 2017	July 2017	Change from Previous Month	August 2016	Change from Previous Year
All Starts	1.180	1.190	-0.8%	1.164	1.4%
Single-Family Starts	0.851	0.838	1.6%	0.727	17.1%
Building Permits	1.300	1.230	5.7%	1.200	8.3%
Single-Family Building Permits	0.800	0.812	-1.5%	0.743	7.7%

Source: U.S. Census Bureau

**LUMBER & LOGS**



Lumber prices increased in August while log prices decreased a bit. Lumber prices increased 5.22% and log prices decreased 0.8%. Both are still substantially above the figures from one year ago. (Note that lumber and log prices are on different scales)

- August DF #2S log prices, as reported by Log Lines, decreased \$6 to \$742/Mbf, which is 8.2% better than August 2016 and 11.6% above the 5-year average.
- At \$483.29/Mbf, the DF lumber index price increased in August by 5.2% over the prior month and was an impressive 30.2% higher than one year ago and 28.7% above the 5-year average. High lumber prices are due more to the counter-vailing duty imposed on Canada and fire disruptions, than to strength in the housing market.

**August 2017 Douglas-fir Prices:**

	August 2017	July 2017	Change from Previous Month	Aug 2016	Change from Previous Year	5 Yr Annual Average	Current month compared to 5 Yr Annual Average
Logs	\$ 742.00	\$ 748.00	-0.8%	\$ 686.00	8.2%	\$ 664.95	11.6%
Lumber	\$ 483.29	\$ 459.31	5.2%	\$ 371.19	30.2%	\$ 375.47	28.7%

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

## FIRE NEWS

### FIRE PROGRESSION

The fire news this last month has been so plentiful, we decided to let the headlines tell the story (with a little detail for added for depth here and there).

- 8/27 **Oregon's wildfires have burned over 300K acres and the cost has surpassed \$100 million** – *Register-Guard*
- 8/31 **Oregon wildfires trigger evacuation of over 4,500 people, burn 365,000 acres** – *Statesman Journal*
- 9/1 **Valuable trees go up in smoke – Tree huggers have saved the trees from logging, but who will save the rest of us from the smoke?** – *Register-Guard*
- 9/2 **California wildfire reaches giant sequoia grove** - *Associated Press*
- 9/4 **Rapid Response: Should the wildland fires be fought aggressively?** – *Statesman Journal*
- 9/5 **Western wildfires endanger beloved sites at national parks** (Washington's Glacier National Park, California's Yosemite National Park, Oregon's Columbia River Gorge) – *NPR*
- 9/6 **Surging wildfire reaches watershed for Portland area's drinking water** – *OPB*
- 9/6 **Roundup: Fires burning in southern part of the state** - *Oregonian*
- Eagle Creek fire threatens Columbia River Gorge
  - Chetco Bar fire near Brookings remains the largest in Oregon at 176,770 acres
  - Firefighters battle 24 fires in the state of Oregon
  - High Cascades Complex is actually four fires: Blanket Creek fire (21,400 acres), Spruce Lake fire (7,300 acres), Broken Lookout fire (7,500 acres), Pup fire (1,800 acres)
  - Spruce Lake fire closes entrance to Crater Lake National Park
  - Miller Complex fire is three fires in the Rogue River-Siskiyou national Forest
  - Milli fire (9 miles east of Sisters) threatens Black Butte Ranch
- 9/6 **Oregon fire destroys commercial timber for Seneca, Roseburg** – *The News-Review*
- 9/7 **Billions of dead trees force U.S. fire crews to shift tactics**– *Associated Press*
- 9/7 **Congress moves forward on wildfire aid funding** - *Oregonian*
- The U.S. Senate passed legislation that ensures the Forest Service and other federal agencies can pay for fighting wildfires through the 2017 season, estimated at \$300 million.
  - Though Congress is making progress on providing immediate wildfire relief assistance, Oregon's delegation calling on lawmakers to pass legislation to provide more stable funding sources for wildfire suppression.
- 9/7 **Wildfires across the Pacific Northwest take a toll on local economies** - *KUOW*
- 9/7 **Logging companies in Douglas County help build fire lines** – *KEZI*
- 9/8 **Wildfire funding included in hurricane relief bill signed by president** – *KUOW*
- 9/8 **Don't lose focus when the smoke clears** (editorial) – *Oregonian*
- Thirteen fires burning in Oregon, charring 526K acres – only one is significantly contained
  - For forests near communities, we can no longer delay on the work needed to make them safer – increase forest management to reduce fuel levels
- 9/10 **Firefighting money burns up as fast as western forests** – *Register-Guard*
- In western Oregon, more than 7K firefighters, 400 fire engines, 40 helicopters have cost more than \$200 million to fight fires.
  - USFS has already spent \$1.75 billion of \$1.89 billion budget for firefighting
- 9/12 **Secretary Zinke directs interior bureaus to take aggressive action to prevent wildfires** – *Press Release*
- Zinke directs managers and superintendents to address the threat of fire in all of their activities, and to use the full range of existing authorities to reduce fuels.
- 9/13 **Oregon State government adapts as wildfires take their toll** - *KUOW*
- Gov. Kate Brown said federal agencies like the USFS and the BLM have not given forest lands the attention they need. She said both should devote more money to forest thinning projects to reduce the spread of wildfires.
- 9/13 **'Financially its big': Wildfires scorch private timberlands in Oregon** – *KPIC*
- Wildfires have caused a big restriction to log supply and as we go into the winter, low supply will keep log prices high and put the PNW at a competitive disadvantage
- 9/14 **Fire suppression costs exceed \$2 billion for the U.S. Department of Agriculture** – *The Courier-Herald*
- 9/15 **Oregon wood products companies relieved to see end of forest fire season in sight** – *Register-Guard*
- 9/18 **Trump's western firefighters** – *Wall Street Journal*
- Congress can pass legislation to reduce frivolous litigation and streamline permitting for active forest management. Reform should include changes to the National Environmental Policy Act's environmental review and the infamous Equal Access to Justice Act, which green groups have exploited to sue and then force taxpayers to cover their litigation costs.
- 9/19 **Letter: Fires more costly than you know** – *The Columbian*
- When communicating the cost of wildfires, government agencies only add-up the cost to fight the fires; they do not add the value of the timber. In other disasters, an estimate is placed on total damages, not simply on recovery/mitigation efforts.
- 9/19 **B.C.'s forest industry assesses impact of summer's wildfires** – *The Globe & Mail*
- An estimated 53 million cubic meters of timber has burned since the beginning of summer. Columbia's wildfires, still not fully under control, have already scorched the equivalent of the entire year's timber harvest in the province's Interior
- 9/20 **U.S. burns through wildland firefighting budget, and the season may yet worsen** – *MINNPOST*
- 9/20 **Lumber industry returns to work after fire closures** – *The World*
- 9/20 **West's wildfires are taking a toll on reservoirs** – *News Deeply*
- New research predicts that an increase in the frequency and magnitude of wildfires will double the rates of sedimentation in one-third of the West's large watersheds, reducing reservoir storage and affecting water supplies.
- 9/21 **Climate, forest and the Eagle Creek fire** – *Crag Law Center*
- The Crag Law Center urges the public to contact Congress members to object to post-fire logging in the Columbia River Gorge.
- 9/21 **Wildfire season sparks calls for forestry reform** – *East Oregonian*
- 9/21 **Environmentalists try to block congress from implementing new ways to fight forest fires** – *The Daily Caller*
- 9/26 **Oregon reopens four state parks in the Columbia River Gorge** – *Oregonian*



## MARKET NEWS

### SMALL WOODLANDS SPOTLIGHT

Small woodland owners in the Pacific Northwest make up a significant percentage of the overall timberland ownership in the region. Of the roughly 7.8 million privately owned timberland acres in Washington, 3.2 million acres, 40%, are owned by nonindustrial private landowners. In Oregon, of about 10.3 million acres of privately owned timberland, 4.3 million acres, 42%, are owned by small, private landowners.

Several small woodland owners have other sources of income outside of timberland ownership since it is unlikely that their land supports a sustainable-yield harvest. Some small woodland owners also own logging companies to harvest wood on their own land as well as contract log for others.

A major challenge to small woodland owners is finding truck drivers to move logs to mills and export yards. While log prices remain elevated, it may be difficult for small woodland owners to translate that into income. Additionally, it is expected that logging expenses will rise at the end of this year and the beginning of next, eroding margins. For small woodland owners to successfully monetize their timber, they will need to develop good working relationships with logging contractors and manage costs. (*Northwest Farm Credit*, 9/30/17)

### HOUSING PRODUCTION GRADUALLY IMPROVING AS BUILDER CONFIDENCE SLIPS THREE POINTS

“This month’s report shows that single-family starts continue to move forward at a gradual, consistent pace,” said NAHB Chief Economist Robert Dietz. “The three-month average for single-family production has reached a post-recession high, but the months ahead may show volatility given that the building markets affected by Hurricanes Harvey and Irma represent about 14% of national production.”

Builder confidence in the market for newly-built single-family homes fell three points to a level of 64 in September on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). Derived from a monthly survey that NAHB has been conducting for 30 years, the NAHB/Wells Fargo Housing Market Index gauges builder perceptions of current single-family home sales and sales expectations for the next six months as “good,” “fair,” or “poor.”

“Despite this month’s drop, builder confidence is still on very firm ground,” said NAHB Chief Economist Robert Dietz. “With ongoing job creation, economic growth and rising consumer confidence, we should see the housing market continue to recover at a gradual, steady pace throughout the rest of the year.” (*NAHB Press Releases*, 9/19/17)

### HURRICANES AFFECT LUMBER AND SAWTIMBER PRICE & DEMAND

In late August, post hurricane Henry, the Chronicle-Herald quoted a Southern lumber broker as he talked about the impending lumber and plywood price increases after hurricane Henry. He said, “Over time, there will be a bit of an increase but it will be much more gradual than most people expect...It’ll be over the next year or two.”

Plywood use is particularly affected by hurricanes in the home preparation and re-building phases. Since the damage of hurricane Irma and the current wildfires have further increased demand and decreased supply, KHOU reported in early September that prices on plywood had already risen 15% in some areas. (*Chronicle-Herald*, 8/28/17) (*KHOU*, 9/8/17)

While prices may be experiencing a bump at this time, there are indications that the current prices will soon be dropping. Forest2Market has taken a historical look at pine sawtimber and pulp pricing trends following hurricane Katrina in 2005 and hurricane Ike in 2008. In the months following hurricane Katrina, the market was flooded with salvage timber and prices immediately fell for sawtimber and pulp. After a few months, pine saw timber prices rebounded, while pulp remained low for another quarter of the year before it returned to previous pricing levels. One year after Katrina, both sawtimber and pulp prices had risen to a level above their prices before the 2005 storm.

In 2008, similar price reductions in pine sawtimber and pulp resulted from salvage logging in the months immediately after the hurricane. Within a few quarters, pulp prices recovered while sawtimber prices remained below the pre-Ike levels. This is mainly due to the Great Recession and the housing crisis that accompanied the recession. (*Forest2Market*, 9/14/17)

### CANADIAN SOFTWOOD LUMBER TARIFF REPRIEVE

Canadian softwood lumber producers are getting a reprieve as four months of preliminary countervailing duties (CVD) have ended, pending a final decision. Five Canadian producers have paid duties between 9.89% and 30.88%. All others paid 26.7%.

U.S. Department of Commerce postponed the final determinations in the anti-dumping duty and countervailing duty investigations of imports of softwood lumber from Canada until no later than Nov. 14, 2017.

For now, the anti-dumping preliminary tariffs remain in force and average 6.87%, pending a final decision.

The Conference Board of Canada has said U.S. softwood lumber duties paid at current export levels will cost Canadian producers \$1.7 billion a year and cut about 2,200 jobs until a settlement is reached. While Ted Seraphim, CEO of West Fraser Timber Co. Ltd., said U.S. duties are a minor distraction compared with forest fires. “We’ve had duties put on us and we just reported record earnings in the second quarter, so we are under no pressure to settle,” Seraphim said.

How the CVD reprieve will affect lumber prices is unknown. Lumber prices, which ran up in anticipation of export duties, have begun to soften partly due to the lowering of duties. U.S. hurricanes and the impact from wildfires in Western Canada will be factors influencing lumber prices for the rest of this year. (*Canadian Press*, 8/28/17 & *Financial Post*, 8/29/17)

### ROADS NOT AFFECTING FISH

A recent OSU study of logging roads in the uplands of the northern Oregon Coast Range shows that the roads are not sending enough sediment into the streams to harm fish or aquatic insects.

The study focused on roads constructed following current road building practices. Five streams were sampled above and below unpaved roads in the Trask River watershed from 2010-2013. Researchers found that the roads were contributing only minimal levels of silt to the streams – not enough to be biologically significant for aquatic life. According to the researchers, current road-building practices are solving an important environmental challenge associated with logging in the steep, wet forests of the Oregon Coast Range. (*Headlight Herald*, 9/7/17)

## WESTERN MILLS SHORT ON LOGS AND LABOR

Through the first half of the year, U.S. softwood lumber production was up 4.3%. But western mills, production was up just 0.4%. According to *Random Lengths*, western mills cite shortages of logs and labor as key factors. A few quotes provide insight:

- “We have anywhere from five to 10 openings at everyone on of our mills right now, and it’s a battle just to keep the employees we do have,” according to one Oregon producer.
- “(We are) having a terrible time finding skilled laborers this year. It only seems to be getting worse. If we want to add a shift, it would take us a year to gather the labor,” according to another.
- “Here in southern Oregon, our ability to increase production has been stymied do to a very contracted ‘log basket.’ There’s just not the state and federal timber sales to support increasing our production at this time” said another producer. (*Random Lengths*, 8/18/17)

## MILL UPGRADES

Many local mills have or will be doing some upgrades this year. Among those are: Roseburg Forest Products plywood mill in Dillard and Coquille; Swanson Group Plywood in Springfield; C&D lumber in Riddle sawmill; DR Johnson Lumber adding Cross-Laminated Timber Production in Riddle; Weyerhaeuser Cottage Grove major stud mill upgrade. (*News-Review*, 4/5/17)

## HIGH EXPECTATIONS FOR GLOBAL CLT MARKET

The global cross laminated timber (CLT) market is expected to be valued at over \$2 billion by 2025. Rising awareness about the environmental hazards caused by the use of concrete, coupled with the rising number of CLT manufacturers and the ever-increasing demand for green homes are factors expected to propel the growth. In addition, the cost and lead time for CLT is decreasing due to the increasing number of suppliers. Europe is the leading region owing to the early adoption of CLT, but Canada, the U.S., New Zealand, Japan, and China are also rapidly developing markets for cross laminated timber. (*GVR/Fordaq*, 9/7/17)

## TETHERED LOGGING CATCHING-ON

Siegmund Excavation & Construction was the first forest operation in Oregon to apply for and receive a variance from OR-OSHA to operate steep-slope automated harvesting equipment. They invested \$1.5 million to obtain the new technology 15 months ago, and it’s worked continuously since. Andrew Siegmund estimates that about a dozen others have followed suit, and a total of about eight are currently operating in Oregon. “We’ve (harvested) 8 or 9 units, anywhere from one to three million board feet of timber in each unit...the technology sure made quick work of traditionally arduous tasks tended in difficult and dangerous working conditions – and with a fraction of the labor,” said Siegmund.

When Freres had the Whitewater fire threatening their property this summer, they contacted Siegmund and asked for help in establishing a fire line. Siegmund responded with the use of the steep-slope harvester (feller-buncher) in tandem with a tethered-base machine. Dozers of hand-crews followed behind, getting it down to bare dirt, forming the fire line. The machinery only required one person inside the cab of the steep-slope machine doing most of the work, the hand crews only needed to clear the hand trail and minor amounts of brushing along the edge. According to Siegmund, “By using the automated equipment, crucial resources were freed-up and the fire line was completed with a fraction of the labor in a fraction of the time as traditional methods.” He hopes that steep-slope equipment can be deployed for fire suppression in the future, and ultimately decrease the amount of damaged timberland. (*Statesman Journal*, 9/22/17)

## INTERNATIONAL DEMAND SUPPORTS SOFTWOOD LUMBER PRICES

It has been a strong year for softwood lumber. International trade of softwood lumber may hit a new record high for volume in 2017, if the trend from the first half of 2017 continues through the end of the year. Of the ten largest lumber-exporting countries in the world, Russia, Finland, Austria, and Ukraine increased shipments the most year-over-year during the first half of 2017. Russia alone has accounted for 22% of global lumber trade so far in 2017, which is up from 15% ten years ago. Canada’s seven consecutive years of expanding shipments may reach an end this year with export volumes having declined 2.2% during the 1H/17.

Lumber prices in both the U.S. and Canada have trended upward for almost two years and reached 13-year highs in July. One exception has been pine lumber prices in the US South, which have fallen the past few months to the lowest level seen in almost a year. (*Wood Resources International*, 9/12/17)

## MASSIVE CLT FACTORY PLANNED IN SPOKANE, WA

Katerra, a high tech construction firm, plans to break ground on a new wood products factory in Spokane, WA this fall. The 29-acre factory is slated to begin production in 1Q2018 and produce mass timber products including cross-laminated timber (CLT) and Glulam. The materials will be used in Katerra’s high-volume modular building manufacturing process.

Katerra says its new 250,000 square foot, mass-timber manufacturing facility will help scale up U.S. production of CLT so that the material can be more broadly adopted across the construction industry. The new facility is expected to provide hundreds of jobs locally, as well as to stimulate additional jobs through the larger supply chain and associated industries. (*Woodworking Network*, 9/26/17)

## FUEL FROM DEAD CALIFORNIA TREES?

The California Energy Commission approved a \$5 million grant in September to help fund a biomass operation in Shasta County. The Fall River Resource Conservation District will use the grant to develop and operate a biomass facility in the Burney-Hat Creek area. This plant would be one of the state's first to turn dead trees into combustible gas. While California has lost tens of millions of trees to insects, disease and drought, some conservation groups oppose the biomass plant, worrying that it will pollute the air and increase the release of climate-changing greenhouse gases. (*KRCR*, 9/13/17)