OREGON WOODLAND COOPERATIVE
March 31, 2008

BRIEF SUMMARY OF ACTIVITY OF COORDINATORS

1. This past week has been consumed with writing the narrative for the next USDA VAPG grant opportunity that would start (if awarded to OWC) October of 2008. This next grant is focused on **Non Timber Forest Products** (NTFP) value added production and marketing. We would like to thank Tom Nygren, Louis Leatherman, Kent Goodyear and all of the individuals and organizations who wrote letters of support and the many who offered in-kind support for OWC for this next grant opportunity. The grant was hand delivered to the USDA Portland office today.
2. This past Saturday the OWC coordinating team staffed the OWC booth at Tree School which was held at Clackamas Community College in Oregon City. The coordinators answered many questions of attendees about what the coop is and what it can do for small woodland owners. Scott Zimmerman represented OWC at the class titled “Certified Forest Products-Who’s Buying and Selling Around Here?” I heard that Scott gave out many of his OWC business cards to attendees after his talk. Many thanks to Marie Madison who provided the coordinators new OWC business cards.

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By Scott Zimmerman
MARKET REPORT 3/31/08

1. The prices for West Coast Doug Fir and Coastal Hemlock/Hemfir moved higher by an amount when comparing price moves of the recent months. For instance, 2x4 green Doug Fir std&btr S4S rose to the $208/m or up $10/m. Considering that at one point in January the price of the same item went for as low as $125/m, one can see that the reduction in production coupled with an increase due to the spring seasonal increase in demand is beginning to have an effect toward higher market pricing. The buyer’s perception is that wood is a little more challenging to find, particularly in some specified items and species, therefore the willingness on their part to increase the amount of inventory that the buyer had been carrying. Some yards reported that in Southern California they have seen a 30% to 40% increase in demand compared to the fourth quarter of 2007. Mind you a 30% increase from practically no demand is still a lot lower demand than in the recent years, but if we are speaking of the recent past only, this is substantial and we should see a steady further increase in demand and pricing for the next month or so or until the buyers perceive to have put enough inventory in to cover their summer building season needs. More jobs are being let while purchase orders and shipments are increasing as we speak.

2. The challenge still exists though for the sawmill to make a profit even at the higher prices. When we convert what the price of 2x4 is using an overrun of 2.4 and a manufacturing cost of $75/m in the above example [$208/m Portland rate], we find that this price equates to a small log cost for a #2 equivalent saw log grade of $300/m log scale to break even. That is of course somewhat low if we add in the chip price part of the formula, but it still makes the point that the pressure is still on the mills to find a way to break even let alone make a profit. If we add by-products[chips] and some upgrade the log price equivalent is more like $350/m for Doug Fir.

3. Log prices for Doug Fir are still holding steady. The small dimension premium #2 equivalent saw log pricing is around $480m on the high end for 40' to a low end of $400/m and less for shorter lengths. Those prices reflect the price delivered to the sawmill here in the Portland rate areas. RSG for example, as reported from some known perceived experts, with a reported overrun of 3 and lower manufacturing costs than most other equivalent type mills is probably breaking even at the $480/m cost. $480/m divided by 3 = $160/m plus $50/m for manufacturing = $210/m for an average price of all dimension items manufactured plus adding in $40/m for the by-products then = $250/m. As a Doug Fir producer goes, they are reported to be by far the lowest cost producer.

4. As alluded to from above, the price of chips is still around $130 to $142 and rising.

5. Hemlock is still at around $350/m for logs.

6. With Warm Springs Forest Products still not running, the FSC certified limber prices are rising at a little better clip than the conventional market. The availability of some dimension items and 4"x to 6"x finished lumber in FSC is getting harder to find and the demand, due again to the seasonal uplift, is putting upward pressure on pricing. It will accelerate from here on and into the next 30 days.

With warm regards to all,
Scott Zimmerman
Oregon Woodland Cooperative
Coordinator for Marketing.

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