

OREGON WOODLAND COOPERATIVE

April 14, 2008

BRIEF SUMMARY OF ACTIVITY OF COORDINATORS

1. Please check your mail box for a special mailing this week that will touch on coordinators activities and the upcoming OWC annual meeting

Oregon Woodland Cooperative
Market Report by Scott Zimmerman

1. The lumber market saw again this week prices for finished structural framing lumber in all species, dressing and grades rise as mills claim to possess an order file that claims to have lumber orders booked for shipments for three weeks out. This allows them a perceived upper hand in quoting higher prices for a consumer that wishes to order new material. There is just enough of an increase in demand coupled with the previous mentioned mill order files to, at the very least, create a sideways to slightly upward bias for pricing in the short term. As the lumber trade pauses and digests their recent purchases, the prices as mentioned will drift sideways for about a week and a half. After that period, those mentioned purchases will have been sent to the builders and as seasonal spring demand increases, however subtle and muted it may be, the trade will begin in earnest to replace the previously purchased stock and in fact increase their purchases in the short term to create a perception amongst the trade of the inability to buy what they want, when they want to buy it and at what prices the buyer wants to buy for. The market at that point for the next few weeks will have an upward bias and in fact will probably will seemingly quite robust. I would expect an increase on average of another possible \$40 per thousand board feet for all species above today's already \$30 per thousand board feet increase of the past three weeks. At that point the exuberance for purchasing lumber should have been satiated going into the summer. I would then expect to see a decrease in prices on average to back down toward the previous recent lows or what would be down on average \$50 per thousand board feet from the highs as described. Another effect of the rise in prices will be to encourage mills that have curtailed and/or temporarily shut down to ramp up production again further putting pressure on pricing given the coupled muted demand picture here in the U.S. and abroad.
2. What does this mean for logs locally? Although log prices have been the same prices generally for the past few months, there could be a slight increase in demand for logs in the short term. The winter just finished has been harsh for those wishing to harvest during this period. Some mills in the Northwest are slightly undersupplied given the recent increase and the evidence that would suggest further increased demand for finished structural lumber that have and should continue to reveal itself in approximately the next couple of weeks. This is another reason some mills claim to have a three week order file as getting the logs already purchased by the mills has been slower in getting to the mills due to the winters weathers challenges for the fluid movement of logs from harvesting to delivery to the mill, so they hedge their bets as to

the ship time of the finished product. This is a created spin by the industry in hopes of creating just enough doubt in the purchasing community's collective minds as to the timing or inability to quick ship product thus attempting to create a feeling of some scarcity due to an upcoming increase in demand due to seasonal spring/summer building trends. The retail contractor lumber yard has, because of a dearth of demand by builders, kept only a couple of weeks at any one time the amount of lumber in their yards. The slight increases and future increases for the spring season of finished structural lumber couple with the mentioned challenge in some cases of getting logs creates a fear in the mind of the purchaser which then prompts them to buy more than they have in the recent months. This creates a perception that demand in the field is greater than it is in reality. The retail yard is more willing to take a chance and determines to carry a forty-five day inventory rather than the two weeks worth of inventory due to a fear of scarcity or the inability to get wood to their yard in a expedient manner than they have been enjoying in the last few months. This could also mean a slight increase of the prices for logs in the short term as these mills may try to ramp up production. But once the lumber yard has satisfied their perceptions of some scarcity, the market price increases will come to an abrupt halt. At that time these mills will be getting more logs into inventory and the whole challenging process of too much product chasing to few orders will begin again in earnest and as prices recede for finished lumber, log prices will go back down once again to present levels. This summer should bring some of those sawmills that have been on the edges of shutting down to the point of capitulation. As I spoke to in previous market reports, the market for lumber coming to the U.S. needs to see at least 7 billion board feet of lumber production less than today's levels in order for true present demand to be at equilibrium with true supply needed. Perceptions and human behavior will get more in line with the reality. At this point, around the third quarter, we could see some significant price increases for finished lumber prices and a gradual increase in prices for logs. Both arenas, finished lumber prices and log prices, will have hard fought challenges though during this recovery period.

3. We are starting to gather FSC logs for another custom cut scheduled for around the middle of May. We are collecting both large diameter for cuttings and also small logs to manufacture dimension. Warm Spring Forest Products, which manufactures a large portion of all FSC dimension in the dry Doug Fir which is the majority of what is bought in FSC dimension here on the West Coast, is still not running and it would seem that they won't be running until the end of June. At the same time the demand for FSC certified lumber is increasing a greater rate percentage than that of the conventional industrial market model. This is putting pressure on FSC certified finished lumber towards higher pricing at a greater percentage rate than the conventional market. FSC certified dimensional finished lumber prices have raised \$60 per thousand board feet on the average versus the \$30 per thousand board feet mentioned above in the conventional market. That brings back to the timber owner a greater opportunity to gain a premium pricing for harvests of FSC logs over the price of other certified or non certified timber when considering the prices premiums for FSC certified structural framing lumber. The demand/supply equation leaning toward higher prices for lumber is working in favor of FSC certified lumber as of now. It

would look to trend that way in the near future as well. At this time we have coordinated a few other FSC certified non-industrial working forestland owners to coordinate their harvests into a bundle or packaged amount of approximately 200,000 board feet of logs in the 16” diameter log bucked 36’ to 40’ and approximately 80,000 board feet of logs that are 5” to 14” in diameter primarily bucked 36” to 40” with some length bucked logs. There is as this writing 4 landowners involved. We are inviting more participation for the gathering of the FSC certified logs for the upcoming cut. There is still time to participate but we must act soon to get involved with the present upcoming cut.

4. This will be the first large custom cut that will be put through the Oregon Woodland Cooperative. The participating landowners are a combination of previously existing members and new additional members who have recently signed up on the membership roles since the addition of the newly hired coordinators. Progress and forward movement of the business plan created from the grant is manifesting. The new agreement with Wilco, the firewood program and the custom cut are a good start thus increasing the viability of the CO-OP as a “stand on its own two feet” entity. It is already assisting in increasing the membership roles. These programs and the additional non-timber related added value projects being researched and added to the CO-OP’s repertoire is beginning to have its desired effect of increasing the membership. In the end, though, it is the participation by an “active” and “activated” membership that will determine the success of the CO-OP as a whole. There must be an active engagement by the members and perspective members that will pave the way for your success as an Oregon Woodland Cooperative member. The future is brighter for the CO-OP than it has been in some time. It is about providing choices for the membership as to the future financial viability for the working forestland owner. It is about increasing and adding value through financial revenue product “choices” that may not have been available to the private non-industrial working forestland owner in the recent past. Choices help to empower us at every level. If we consolidate our singular entities into a consensus of working together as one as a coordinated body on the issues and challenges facing each of us in today’s marketplace, we can by increasing our financial revenue choices [1] decrease the costs of doing business, [2] spread the risks and [3] add value of our revenues through new and different projects utilizing efficiently our combined assets to get the most out of those assets. Marketing and outreach to the public, A.K.A.” the consumer of your products”, as a single unit will provide the consistency of the flow of products to the market place that the consumer relies upon in his or her purchases. That’s all for now and until next week. Please contact any of the coordinators on your thoughts and ideas, as again, the more engaged and empowered the membership the greater opportunity for the success of the Oregon Woodland Cooperative, your CO-OP. Take back your power as well as ownership and the responsibility that that entails.

With warm regard for all, Scott Zimmerman
Oregon Woodland Cooperative - Coordinator for Marketing

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