

OREGON WOODLAND COOPERATIVE

March 3, 2008

BRIEF SUMMARY OF ACTIVITY OF COORDINATORS

- 1 Scott Zimmerman went on a field visit with COOP member Neil Schroeder to his forest property on the Nehalem River. Discussed on a personal level his desires for how the COOP could add value to current plans for his properties.
2. Louis Leatherman and Kent Goodyear worked with Kathy Scott and her assistant to complete the process of getting the website operational by the beginning of this coming week, the week of 3/3/08. One of the first functions will be to post the weekly "Market Report".
3. We met with Lynn Omev from WSC Insurance of Forest Grove who presented a general commercial policy from the Hartford Company. This policy would cover liability, medical, and fire loss on the business property. This policy will cover the items the managers of the office rental space require.
4. Louis Leatherman is working on several scenarios on the firewood project and how best the Co-op and its members can be involved. It could be member driven in a central location where wood is centralized for processing. He is to create a program package to present to members to be added to March newsletter and website.
5. Kent Goodyear and Tom Nygren discussed the next VAPG (grant) opportunity which will need to be submitted shortly. They looked at many possibilities for this grant cycle.
6. The Oregon Woodland Cooperative board and coordinators welcome and encourage member and potential member dialogue concerning any subject that may be on the minds of those vested interests concerning the OWC from coordinator plans and activities to subjects that are near and dear to any and all. This is your COOP and we are here to add value and address your concerns and do what is needed to make this a rewarding profitable experience for all. The more direct participation from members, the greater the opportunity for the OWC membership and thus the future of the OWC.

Please [click here](#) to reach the coordinators.

MARKET REPORT

By Scott Zimmerman

1. Last weeks report, indicated the possible short term increase in finished structural lumber pricing power due to a seasonal increase, albeit muted compared to years past, in demand from the new construction sector as well as in the home center/remodel and/or do-it-yourself sector. That, combined with the short term curtailments at some

mills for some specific species and/or items, could create a short term pressure on the retail trade's part to increase their purchasing and create a willingness on their part to buy more inventory than they have needed to in the last six to nine months. More building projects have been quoted in the last two weeks than I have seen for some time. So, reduced production and increased demand is a formula for potentially higher prices

in some specific cases as we all know. The curtailments as of this writing are affecting specific perceived scarcities of Doug Fir, certain 2" dimensional as well as post and beams and the FSC green building market.

2. The conventional market reported the benchmark price of 2x4 std&btr dry Doug Fir at \$227/m.in the Random Lengths weekly pricing report. If we subtract \$100/m for manufacturing and drying and the selling of the chips [some manufacturing and processing will cost more and some mills a fraction less], that would leave us with a net return of \$127/m on a finished lumber scale. If the average overrun in an industrial high speed and highly efficient sawmill producing 2" dimension is around 2.4, the price return of the small dimension #2 sawlog, using the \$227/m figure as the base, is \$305/m. As we know the prices for #2 sawlog in today's market is higher than that, even though those prices are extremely low as well, compared to the recent past months and years. The mills are bleeding big time. Thus, the recent announcements by mills to curtail their production of Doug Fir as well as other species here in the West. As of this writing, the majority of curtailments are here on the West Coast. These curtailments, as of this writing, have only slightly affected the prices of finished structural lumber. The affect was to remove the price counters that buyers were giving the mills so they could move product. The removal of counters brought the price up maybe \$20/m to today's \$227/m in effect giving the mills a sideways or stabilized pricing not vulnerable to those counters by buyers. The seasonal demand increase in the conventional lumber market is a bit premature so the possible upward price affect is still a bit premature. However, that is not so in the "green building" market that uses FSC certified structural lumber.
3. In the last two weeks, the GRN Inc. FSC distribution yard has sold approximately 350,000 board feet of finished structural lumber for new construction shipped all up and down the West Coast. The mill at the beginning of February also custom cut a small run [small due to the weather related challenged availability of logs] of FSC structural lumber which amounted to around 120,000 board feet and most of that is sold. The products made were posts and beams and not dimension which get a greater return then dimension lumber in today's market by a fair amount. The only reason all of the product was not sold was due to the potential increase in pricing and as I represent and work for the best interests of the forestland owner's harvest of these logs to get them the best return possible, I held off selling anymore until some more price appreciation could manifest itself as it currently is. I am also feverishly focusing on accumulating more FSC certified logs to run more structural lumber. There is a shortage of finished FSC certified lumber for sale in the FSC certified lumber market due to the curtailment of Warm Springs and the accompanied sudden increase in demand and lack of inventory in the field to supply that increased demand. I have quoted over 2 million bd. ft of FSC lumber for new projects this last week alone for the spring and summer projects in green building land for FSC

- certified structural lumber. That is 3 times the amount of the previous weeks.
4. On Monday of this last week, one of the largest suppliers of FSC certified lumber shut down production until potentially the end of June. They were losing too much money for too long now. This event has shaken up the demand side as the sudden increase at the same time for FSC certified lumber for the proposed beginnings of new building for the spring and summer is being quoted and the beginning of the purchasing for those projects has commenced. The last prices, for instance, that Warm Spring Forest Products sold for 2x4 dry Doug Fir was \$253/m or a 10% premium compared to the conventional pricing for structural lumber market at \$227/m mentioned above. So, just to do the numbers, \$253/m reflects a log price return to Warm Spring's mill was getting and a \$66/m premium to the conventional 2x4 dry Doug Fir market. Thus, \$293/m reflects, using the above formula, a return to the log price of \$463/m. We can project that the probability of pricing for the dry 2x4 Doug Fir FSC certified finished lumber over the next two months could get as high as \$350/m. That then would project a log cost using the above formula of \$600/m log scale. The cost to custom cut is higher than the high speed industrial mills in-house costs and would probably be in the neighborhood of \$150/m at a dimension mill for manufacturing, processing and drying. I am quite sure that this next week the obtainable price for 2x4 dry Doug Fir FSC certified will be at least \$350/m. Thus, \$350/m minus \$150/m for processing times an overrun of 2.4 is a return on log scale of \$480/m. for a small dimension log.
 5. So far we have 200,000 board feet of 16" to 24" #2 sawlog and better for the next run scheduled at the end of March. We are harvesting and shipping those logs starting next week. There are two landowners that are in this project. The formula is as usual, the landowners own the logs all the way through the process of manufacturing and to the point of sale to the end user. Please feel free to inquire as to how exactly the process works for the entire endeavor from beginning to the end of a project. We are interested in more volume. We would love to bring this added value for the membership. We are presently seeking for more FSC certified logs that are the smaller dimensional logs, any where from 5" up in diameter as well as the larger log mentioned above. The sooner harvested and shipped, the sooner we can cut and take full added value advantage of the short supply of FSC certified lumber.

CONCLUSION

- A. The last small cut in January and the logs that were aggregated as a collective cooperative represented 6 different land owners' logs. Without that opportunity for the landowner, the logs that they had cut would have individually been so small in individual volume that under the current market conditions in the conventional market they would have been probably low balled in price as many mills in this market either are unwilling to buy logs outright or are unwilling to pay even the publicly reported low prices for logs, especially if the individual harvests of logs is 10 truck loads or less.
- B. There is presently a premium price for FSC certified structural finished lumber when comparing the same finished structural lumber products with the dismal conventional lumber.

C. There are several reasons why we are able to return a premium price when compared to the conventional market as well as a premium compared to the Warm Springs Forest Products sawmill who manufactures and sells FSC certified lumber. The primary reason is that we have an integrated process from the aggregation of logs functioning as a sort yard. We collect logs from several owners thereby aggregating enough footage so as to be able to lower the unit cost of manufacturing using economies of scale, we manufacture the logs through a contract cut with a mainstream volume lumber producer, and most important the FSC certified distribution yard. A solid infrastructure is the key. That is what this model above represents, a solid infrastructure that allows us to take the opportunities when they present themselves in the marketplace for the benefit of the forestland owner. In summary, the log sort yard combined with custom manufacturing, a distribution yard and local market exposure to end user create market opportunities.

[Back to Home Page](#)