THE LUMBER DAILY

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Federal Fiber Edition
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MARKET PULSE | Lumber $599 | WTI $96 (+2.4%) | S&P 7,554 (-0.7%) | 10yr 4.48%

TOP STORIES

Malheur National Forest Signs 20-Year Stewardship Agreement With Iron Triangle

The Malheur National Forest in eastern Oregon announced on June 3 that it has signed a 20-year stewardship agreement with John Day-based Iron Triangle LLC, a forest restoration and wood-products company. Under the deal, authorized by the 2014 Farm Bill, Iron Triangle performs restoration work, thinning, hazardous-fuels reduction, watershed and habitat treatment, and is paid in the timber those treatments generate, with the Forest Service covering the difference where service costs exceed timber value. The agreement anticipates about 5,000 acres of treatment and 25 million board feet of timber harvested annually, with each project still requiring a completed National Environmental Policy Act (NEPA) review before work begins. The timing matters for Grant County: Malheur Lumber, the county's largest sawmill, closed in early 2025, a loss the Oregon Employment Department pegged at 206 jobs and $58 million a year. Iron Triangle, which employs more than 110 people, has acquired the former mill's manufacturing assets and is investing in local processing capacity. The Forest Service said it selected the operator on a best-approach basis weighing past performance, technical capability and community benefit.

Canada Commits Close to $130 Million to 56 Forest-Sector Projects

Energy and Natural Resources Minister Tim Hodgson announced on June 3 close to $130 million in federal funding for 56 forest-sector projects across Canada, aimed at low-carbon wood technologies, mass-timber construction, value-added manufacturing, Indigenous participation and export-market diversification. The largest single award, $37 million, goes to the Forest Enhancement Society of British Columbia to collect, process and move low-value and residual fibre to pulp, bioenergy, pellet and secondary-manufacturing users rather than burning it. Other awards fund a Daiken North America engineered-panel retrofit in Huntsville, Ontario ($7.5 million), an Element5 glulam expansion with artificial-intelligence-assisted grading in St. Thomas, Ontario ($4 million), and an Intelligent City mass-timber housing plant near Toronto sized for up to 1,000 units a year ($4.8 million). A separate block of grants to Canada Wood Group, BC Forestry Innovation Investment and the Quebec Wood Export Bureau targets demand in Japan, South Korea, China, the United Kingdom and Europe. The package is larger and broader than the roughly $12 million tranche Ottawa directed to British Columbia projects in mid-May.

Services Activity Firms in May, but Input Costs Hit Their Hottest Since 2022

The Institute for Supply Management's (ISM) services purchasing managers' index (PMI) registered 54.5% in May, up 0.9 point from April and a 23rd straight month of expansion, in a report released June 3. The activity readings were firm, with business activity at 57.7% and new orders at 57.3%, both up sharply on the month. The signal that stood out was on cost: the prices index rose to 71.3%, its highest reading since August 2022, with respondents most often citing diesel, gasoline and oil as moving up. That print landed the same day oil climbed for a third straight session and the 10-year Treasury yield rose to 4.48%, a reminder that financing and input costs are turning against builders and manufacturers even as activity holds. For wood-products buyers, firmer services demand supports remodel and commercial work, while the cost line points to more fuel and freight pass-through ahead.

■ DEEP DIVE: TIMBER FROM FEDERAL GROUND

How a Stewardship Agreement Actually Works

A stewardship agreement is a trade, not a timber sale. The Forest Service hires an operator to do restoration, thinning, fuels reduction, road and watershed work, and pays for it largely in the wood those treatments produce; where the cost of the service work exceeds the value of the timber removed, the agency makes up the gap with appropriated dollars. The 2014 Farm Bill made stewardship contracting permanent and allowed terms of up to 20 years, and operators are chosen on best value rather than the highest bid. It differs from Good Neighbor Authority (GNA), under which a state, county or tribe acts as the agency's agent on restoration work, and the two tools cannot be combined on the same project. The practical effect for a mill is the part that matters: a 20-year horizon turns an unpredictable, sale-by-sale log supply into a flow it can plan capital and crews around.

The Anchor-Mill Problem

Landscape-scale restoration only pencils out if a mill exists to take the wood. Thinning and fuels work generate small logs and low-grade material that have to go somewhere, and when the nearest mill closes, the economics of treatment collapse with it. Eastern Oregon learned this directly: when Grant County's mill was on the brink in 2013, the Malheur forest awarded a decade-long stewardship contract to a single operator specifically to keep a wood-products outlet alive, a move widely credited with saving it and steadying local forest work. The lesson generalizes across the dry interior West, where fuels keep building and agencies need somewhere to send the byproduct of every acre they treat. Where the manufacturing base survives, restoration can scale; where it is gone, the work stalls. That gives mills sited near national-forest supply real leverage, because the agency needs the outlet as much as the operator needs the logs.

A Bigger Federal Push Behind It

These deals are scaling just as Washington leans harder on national forests for wood. The Forest Service is working toward a directive to lift timber volume by roughly 25%, toward about four billion board feet by 2028, and the Department of Agriculture has designated an emergency situation across roughly 113 million acres, close to 60% of the national-forest system, to speed project work. Long-term stewardship and Good Neighbor deals are the on-the-ground vehicle for that volume, from a 20-year stewardship agreement on the Tongass in Alaska to Good Neighbor timber targets in states such as Georgia and Montana. None of it is automatic: every project still clears a NEPA review, actual cut depends on appropriations and markets, and fast-tracked sales are already drawing litigation. Still, the direction is set, and federal fibre looks set to become a steadier leg of Western supply just as Canadian imports and private harvest tighten. The mills positioned to take that wood will hold an edge.

WHAT YOU MISSED YESTERDAY

Wednesday, June 3 - business, markets, and the broader economy.

- U.S. stocks fell back from record highs as the Middle East conflict re-escalated. The Dow Jones Industrial Average dropped about 1%, the S&P 500 fell 0.74% to 7,553.68, and the Nasdaq Composite lost 0.89%, after the United States and Iran exchanged strikes and Gulf states were targeted, straining the ceasefire and the naval blockades on the region's energy exports.
- Oil rose for a third straight session. WTI crude settled up 2.4% at $96.02 a barrel, keeping upward pressure on diesel and other fuel costs.
- The 10-year Treasury yield rose to 4.48% as higher oil and firmer economic data lifted inflation expectations.
- Friday's May employment report is the week's main event for rates and equities. Economists broadly expect somewhere in the range of 80,000 to 125,000 jobs added, with the unemployment rate holding near 4.3%.

INDUSTRY & COMPANY NEWS

- **U.S.-Canada trade** - The Trump administration imposed new tariffs on more than 60 countries, including Canada, over forced-labour supply-chain allegations, with the U.S. Trade Representative proposing a 10% tariff that would apply to Canadian goods that fail to meet the rules of origin in the Canada-United States-Mexico Agreement (CUSMA). The same day, Canada formally notified the United States and Mexico that it wants CUSMA renewed for another 16 years ahead of the July 1 joint review, with softwood lumber among the sectoral issues raised. Prime Minister Mark Carney said Canada will introduce forced-labour legislation in response.
- **Supreme Court of Canada** declined on May 28 to hear the Wolastoqey Nation's appeal of a New Brunswick case, leaving in place a Court of Appeal ruling that Aboriginal title is not available over privately owned land, including private industrial forestland. Provincial governments and forest companies welcomed the certainty for private timberland ownership, though the Nation can still pursue damages from the government. The outcome is being closely watched in British Columbia, where a similar title case is active.

■ MARKET & RATE SNAPSHOT

INDICATOR	LEVEL	NOTE
CME lumber futures (June 3)	**~$599/MBF**	Two-month high; supply stays tight
WTI crude (June 3)	**~$96/bbl**	+2.4%; third session higher on Mideast
10-year Treasury (June 3)	**4.48%**	Up with oil and firmer data
USD/CAD (June 3)	**~1.39**	Loonie near 2026 lows on dovish Bank of Canada

■ THE BOTTOM LINE

Three things for your Thursday. Federal ground is becoming a more deliberate part of the supply map: a 20-year stewardship agreement in eastern Oregon, set against a national push to lift the cut, turns restoration byproduct into a fibre stream mills can plan around, provided the local mill is still standing to take it. Canada is spending to move up the value chain, backing residual-fibre recovery, mass timber and export diversification, even as Washington opens a new front on trade and the loonie sits near its 2026 lows. And the cost side is flashing again, with services prices at their hottest since 2022 while oil and yields climb, a backdrop that keeps fuel and freight pass-through live heading into Friday's jobs report.
