THE LUMBER DAILY

Monday, July 6, 2026
Pellet Markets Edition
Est. 2026 | Vol. 1, No. 76

MARKET PULSE | Lumber $623 | WTI $68 | Dow 52,900 | 10yr 4.48%

TOP STORIES

Fire Season Reaches the Northwest

The national fire year is running at Preparedness Level 4, and for most of it the Northwest has stayed quiet. That changed over the holiday weekend. The Chelan Hills fire ignited shortly after midnight Saturday north of Orondo in Douglas County, Washington, and had burned at least 15,000 acres by Sunday with zero containment. The county sheriff said structures lost could exceed 100, with the worst damage in McNeil Canyon. Level 3 go-now evacuation orders were extended north toward Beebe Ranch, and US 97 closed near Beebe Bridge. In Oregon, the North Cayuse fire east of Pendleton on the Umatilla Indian Reservation forced go-now evacuations Saturday night, and the Antelope Creek fire burned about 1,261 acres near Antelope. Sunday's national report showed the Northwest posting the largest new-acreage gain of any region, against a national backdrop of 41 uncontained large fires and a year-to-date tally of 36,871 fires and 3.29 million acres, 131% and 148% of the 10-year averages. In BC, a fire near Boston Bar in the Fraser Canyon forced the evacuation of North Bend over the weekend.

China's Log Pull Shrinks Again

Chinese customs figures for May, published over the weekend, show log imports down 13% from a year earlier even as the average import price rose 3%. Log shipments from Germany to China fell 34% over the same month. The May prints extend a long slide: China's full-year 2025 log imports fell 13% to 31.38 million m3, the fourth consecutive annual decline. The traffic moving the other direction tells a different story, with China's wood-furniture exports up 16% by value in May on prices up just 1.3%. The world's largest log buyer keeps reducing its raw-material purchases while expanding shipments of finished goods, and the displaced European log volume is looking for other destinations.

Component Supply Moves Onto the Main Line

Builders FirstSource and Union Pacific announced a rail-served lumber, truss, and wall-panel facility at Rocky Mountain Rail Park in Bennett, Colorado, a 620-acre industrial park on the railroad's main line east of Denver and one of 45 sites the carrier has designated for fast-track industrial development. The first railcars were delivered earlier this year, and the plant is positioned to serve Front Range homebuilding as development pushes east of the metro. For the country's largest structural-components supplier, the site puts inbound lumber on rail rather than truck and shortens the last mile to a growth corridor. It is also the latest in a string of component-capacity investments, with a separate 44,000-square-foot wall-panel and stair-system plant under construction in Maine due to open in early 2027.

■ DEEP DIVE: THE 2027 PELLET CLIFF

The Biggest Buyer Steps Back

The United Kingdom is the world's largest consumer of imported industrial wood pellets, burning them in three dedicated power stations: Drax in North Yorkshire and Lynemouth in Northumberland, both converted from coal, and the newer Teesside plant that entered service in 2023. Imports ran an estimated 9.6 million metric tons in 2025, up 3% from the prior year, and the large converted plants supply roughly 6% of UK electricity. The fuel is overwhelmingly imported, about 60% of it from the US in the most recent officially detailed split, with most of the balance from the EU and Canada. The US industry grew up around that trade: American producers exported more than 10 million metric tons in 2025, and the UK bought an average of 67% of US pellet exports from 2020 through 2025. The subsidies that created this market expire March 31, 2027.

The Bridge Deals

What follows the expiry is already signed. In November 2025 Drax finalized a contract for difference (CfD) with the UK government covering April 2027 through March 2031 at 109.90 pounds per MWh in 2012 prices, across all four biomass units but under a generation collar of 6 TWh a year, which holds subsidized output to roughly 27% of the year, less than half the plant's current running rate. Lynemouth signed heads of terms in February 2026 on the same window with the same 27% collar, terms the government projects will halve its subsidy, and with no support of any kind past 2031. Both deals require 100% sustainably sourced biomass and tighter supply-chain emissions limits aligned with the EU's third Renewable Energy Directive (RED III). The plants keep running, but by one industry estimate the bridge terms cut expected pellet demand 62% at Drax and 73% at Lynemouth. The bridges exist because bioenergy with carbon capture and storage (BECCS) is not ready: no UK BECCS plant is operating, and the new contracts include no BECCS incentives.

Twelve Million Tons Looking for a Home

US pellet production capacity stands near 18 million metric tons a year, and with the UK historically absorbing two-thirds of exports, one industry analysis puts roughly 12 million tons of US flow in the path of the policy change. The producers saw it coming. Drax, which made a record 4.2 million tons across its North American plants in 2025 on about 5 million tons of nameplate capacity, has paused expansion, including a 450,000-ton plant planned for Longview, Washington, placed its Canadian pellet operations under strategic review, and signed a supply agreement of more than 1 million tons a year to a Texas sustainable aviation fuel (SAF) plant targeted for around 2029. Enviva, the largest US producer, emerged from Chapter 11 at the end of 2024 under new ownership. The offset market is Asia: Japan's pellet imports rose from 5.8 million metric tons in 2023 to 6.4 million in 2024, South Korea took 3.7 million in 2023 against almost nothing a decade earlier, and new Japanese plants are still being announced with start dates near the end of the decade.

What It Means at the Mill

Pellet plants buy what sawmills sell on the side: sawdust, shavings, and chips, plus low-grade roundwood in the US South. When export demand from the biggest buyer steps down on a written schedule, the effect reaches those residual markets, the same outlets that decide whether a mill's byproduct stream is a profit line or a disposal cost. The dates to work from are now fixed. UK support in its current form ends March 31, 2027, the bridge collars run to 2031, and Lynemouth has nothing beyond that. The near-term signals are Lynemouth's final contract signature, the outcome of Drax's Canadian review, and the pace of Japanese and Korean contracting, which will determine how much of the displaced volume Asia absorbs.

WHAT YOU MISSED YESTERDAY

Sunday, July 5 — the holiday weekend in business, markets, and the broader economy.

- OPEC+ approved another 188,000 barrel-per-day output increase for August at a Sunday video conference, the fifth straight monthly step-up. Oil slipped in early Monday trade, with WTI near $68 after a roughly 2% drop Thursday to the lowest levels since late February.
- US markets were closed Friday and reopen today from Thursday's close, which left the Dow at a record and the S&P 500 near flat.
- The 10-year Treasury stood at 4.48% in the last official print before the holiday, little changed on the week after the soft June payrolls report.
- The federal weekly survey put on-highway diesel at $4.668 a gallon nationally, down 16.4 cents on the week; the West Coast average held far higher at $5.528. A fresh print lands Tuesday.
- Saks Global exited Chapter 11 over the weekend with a new name, new owners, and a smaller store footprint.

INDUSTRY & COMPANY NEWS

- **HS Timber Group** completed its acquisition of Mala Sag AB, one of northern Sweden's established pine sawmills, effective July 1 — the Austrian group's latest step in a broader push by Alpine sawmillers into Scandinavian capacity.
- **Juken New Zealand** opened formal closure consultation on its Kaitaia sawmill in Northland after a sale process failed, with a decision due after July 8. About 60 jobs are at stake at the sawmill and roughly 200 across the site including the adjacent Triboard plant, which remains for sale, in a town of about 6,000. The company cites power costs and weak export demand; a potential buyer has since come forward.
- **Hancock Lumber** named Brian Mills, a 30-year builder-supply veteran who ran wall-panel and truss plants, as general manager of the 44,000-square-foot component-manufacturing facility it is building in Oxford, Maine. The plant will produce wall panels, pre-cut framing packages, and stair systems, with opening targeted for early 2027.
- **US LBM** announced a partnership with Higharc, an artificial-intelligence home-design company, connecting the design platform to the distributor's estimating and supply network.

■ MARKETS & RISK SNAPSHOT

INDICATOR	VALUE	TREND
Lumber futures (front month)	**$623.50/MBF**	Up 4.4% over the past month; last close before the holiday
30-yr fixed mortgage (June avg)	**6.49%**	Up 8 bp from May as markets weigh inflation and Fed policy
Diesel, US on-highway avg	**$4.668/gal**	Down 16.4 cents on the week; West Coast at $5.528
WTI crude	**$68**	Fell about 2% Thursday; OPEC+ added August supply Sunday
China log imports (May)	**-13% y/y**	Average import price up 3%; fourth year of decline underway
10-yr Treasury	**4.48%**	Last official print before the holiday; markets reopen today

■ THE BOTTOM LINE

The Northwest's quiet season ended over the weekend. The Chelan Hills numbers will move again before containment does, and operators across the region know what a Preparedness Level 4 summer does to woods access from here. The slower story carries a date: the world's largest pellet buyer has signed terms that step its biomass demand down from April 2027, and that exposure lands in the residual markets sawmills feed. Markets reopen today with lumber futures carrying a month of gains and fuel cheaper on the week, while a fourth straight year of shrinking Chinese log purchases keeps tilting the export mix toward finished goods.

THE LUMBER DAILY
Get The Lumber Daily by email, free -- lumberdaily.com/subscribe