THE LUMBER DAILY

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Q2 Scoreboard Edition
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TOP STORIES

Fifty-Percent Panel Duties Start August 19, and Two Big Unions Want Them Pulled

The United Steelworkers and the International Association of Machinists (IAM) sent a joint letter to the US Trade Representative on Monday urging the administration to reverse the Section 338 tariffs set to take effect August 19. Those proclamations put a 50 percent duty on roughly 98 Canadian forest-product tariff lines, including plywood, particleboard, medium-density fiberboard (MDF), veneered panels and certain mouldings. Softwood lumber itself is carved out, already covered under the separate Section 232 order. The unions argue the measures raise costs across an integrated North American manufacturing base rather than punishing unfair trade. British Columbia plywood and veneer producers, whose highest-value output ships south, face the sharpest exposure. Solid hardwood lumber sits outside both actions. It is not on the Section 338 list and is not softwood, so sawn hardwood boards still cross the border duty-free even as hardwood plywood, veneered panels and millwork get swept in.

British Columbia's Spruce Budworm Outbreak Doubles Its Own Record

The western spruce budworm has now defoliated about 4.2 million acres across British Columbia, the provincial forests ministry said, more than double the roughly 2 million acres the last two outbreaks reached at their 1987 and 2008 peaks. The infestation is concentrated in the Thompson-Okanagan and South Coast, where crews aerial-sprayed more than 136,000 acres of the bacterial insecticide B.t.k. this spring near Loon Lake, Logan Lake and the Tranquille Valley. The budworm feeds mainly on Douglas fir, halting growth, killing treetops and, in heavier attacks, killing younger understory trees outright. The ministry is leaning on stand-thinning and species diversity as the longer-term defense.

The Fed Holds, but Three Officials Break Ranks for a Rate Hike

The Federal Reserve left its benchmark rate at 3.50 to 3.75 percent on Wednesday, a fifth straight hold, but the vote split 9 to 3 with dissents from the Cleveland, Minneapolis and Dallas bank presidents, each of whom wanted a quarter-point increase. It was the first triple hawkish dissent in nearly a decade. Chair Kevin Warsh said inflation remains elevated and stripped any easing signal from the statement. Traders now price September as a live meeting for a hike rather than a cut. Mortgage costs moved with the shift: Freddie Mac's 30-year fixed average rose to 6.66 percent Thursday, its second straight weekly gain, tightening the affordability math that has kept single-family demand soft.

■ DEEP DIVE: THE Q2 SCOREBOARD

Lumber Found a Floor

The two largest Canadian producers both reported Wednesday, and both showed lumber swinging back to black. West Fraser posted a second-quarter net loss of $61 million, sharply narrower than the $188 million loss in the first quarter, on sales of $1.434 billion; its lumber segment turned in $41 million of adjusted EBITDA after a first-quarter loss. Canfor's lumber operations returned $41 million in operating income, reversing a $44 million loss, as lumber sales rose 16 percent to C$1.38 billion and shipments climbed 8 percent to 1.35 billion board feet. Canfor's overall net loss narrowed to C$18.5 million from more than C$200 million a year earlier. Lean inventories and transportation constraints, not a demand surge, did most of the lifting.

The Duty Line Still Moves the Number

West Fraser's lumber result leaned on a $13 million favorable in-year duty adjustment, roughly a third of the segment's quarter. The duty stack behind that entry keeps growing: a 10 percent Section 232 tariff has applied to softwood shipments since October, antidumping and countervailing cash deposits continue to accrue, and the finals from the seventh administrative review of those orders are expected in August. The new Section 338 action is a separate layer aimed at panels and value-added goods rather than dimensional lumber. West Fraser told investors the 50 percent Section 338 rate would touch only about 3 percent of its plywood and 20 percent of its laminated veneer lumber (LVL) sold into the US, leaving its lumber and oriented strand board flows unaffected.

Pulp Is Still the Anchor

Where lumber recovered, pulp and paper dragged. Canfor's pulp and paper segment lost C$23 million, wider than the prior quarter, on sales that fell to C$144 million. Clearwater Paper reported a net loss of $21 million on sales of $375 million, a swing from a small profit a year earlier, blaming maintenance outages and lower paperboard prices. The results track the price-level problem that has pushed a wave of North American pulp closures this year, and they explain why producers with mills on both sides of the fiber ledger are steering capital toward wood products and away from market pulp.

Freight Ate Into the Beat

UFP Industries showed how fast logistics can erase a volume gain. Sales rose 3 percent to $1.88 billion, but net earnings fell to $83 million from $101 million as freight costs jumped about $27 million; the company said spot truck rates climbed more than 30 percent in the quarter, a faster run-up than it saw during the pandemic. Its construction unit sales fell 4.5 percent on affordability-driven weakness, offset in part by a 37 percent jump in Deckorators composite decking. Management guided to flat-to-slightly-lower volumes for the rest of 2026. Across all four names, the second-half message was the same: firm early, then softer as housing affordability and macro uncertainty bite.

WHAT YOU MISSED YESTERDAY

Wednesday, July 29 — business, markets, and the broader economy.

- Stocks sold off hard after the Fed's hawkish hold: the S&P 500 fell 1.5 percent to 7,316, the Nasdaq lost 1.7 percent, and the Dow dropped 1,153 points, or 2.2 percent, its worst day since April 2025.
- Treasury yields jumped. The 10-year rose about 7 basis points to 4.67 percent, a 2026 high, and the 30-year topped 5.2 percent as traders repriced toward a possible September rate increase.
- Oil surged on renewed US-Iran tension and a US crude-inventory draw. WTI settled up 6.6 percent at $84.46 and Brent gained nearly 8 percent to $90.74. Retail diesel averaged $5.31 a gallon, up 18 cents on the week.
- Megacap tech split after the bell: Microsoft beat, with Azure revenue up 43 percent and its cloud passing $100 billion in annualized sales, and rose after hours; Meta missed as expenses jumped 55 percent and capital-spending guidance climbed, and its shares fell.
- The Conference Board's consumer-confidence index slipped 1.4 points to 90.8 in July, adding to the cautious read on household demand.

INDUSTRY & COMPANY NEWS

- **Arbec Bois d'oeuvre.** Ottawa extended a C$60 million loan to the Quebec lumber producer under its Large Enterprise Tariff Loan facility, the first named lumber recipient, to keep the mill running and reduce its reliance on the US market.
- **Canadian Pacific Kansas City.** The railroad's second-quarter forest-products freight revenue rose about 1.5 percent to C$198 million on roughly 31,100 carloads, a steadier volume read for lumber shippers even as broader rail traffic outpaced it.
- **Nippon Paper.** The company idled its Yatsushiro mill in Japan after a magnitude-7.1 earthquake struck Kumamoto, killing at least 13 people. Its Longview, Washington complex has remained shut since a fatal May chemical accident.
- **State of Maryland.** Governor Wes Moore signed an executive order directing state agencies to prefer Maryland-grown wood in public construction, a demand signal for Eastern hardwood producers.
- **US Endowment for Forestry and Communities.** The group released a national action plan for forest residuals that targets the roughly 56 million bone-dry tons a year of unused mill and forest fiber, aiming to build markets for material that currently has nowhere to go.
- **Asia-Pacific Economic Cooperation.** Twenty-one member economies signed a pledge in Shenzhen to strengthen enforcement against illegally harvested timber, reinforcing an existing experts group on the trade.

■ MARKETS & RATES SNAPSHOT

INDICATOR	VALUE	TREND
30-yr fixed mortgage	**6.66%**	Up 8 bps Thursday, a second straight weekly rise
Retail diesel, US avg	**$5.31/gal**	Up 18 cents on the week (Jul 27)
Consumer confidence	**90.8**	Down 1.4 points in July
WTI crude	**$84.46**	Settled up 6.6% Wednesday on US-Iran tension
10-yr Treasury	**4.67%**	Up ~7 bps Wednesday to a 2026 high after the Fed

■ THE BOTTOM LINE

Two big unions are pushing Washington to drop the 50 percent panel duties before they hit on August 19, with lumber itself carved out. British Columbia's spruce budworm outbreak has reached 4.2 million acres, more than double its past peaks, chewing mainly through Douglas fir. The Fed held rates but drew three dissents for a hike, and mortgage costs rose to 6.66 percent. Second-quarter earnings showed lumber back in the black at the two biggest producers while pulp kept losing money and a freight-cost spike ate into a major distributor's volume gain. The producers' own read on the back half of the year is cautious: firm now, softer as affordability bites.