

TOP STORIES

The \$65 Lumber Lift Arrived on Schedule

Weyerhaeuser released second-quarter results Thursday after the close and held its call Friday. Lumber sales realizations averaged \$508 per MBF, up 15 percent from \$443 in the first quarter — exactly the \$65 lift the company guided to in June. Wood Products adjusted EBITDA nearly doubled to \$129 million from \$71 million in the first quarter, with the lumber business swinging to \$73 million from \$27 million; oriented strand board (OSB) ran at a \$6 million loss. Companywide, net earnings were \$162 million on \$1.9 billion in sales, including a roughly \$71 million after-tax gain on the June sale of 29,000 Oregon acres for \$114 million; adjusted EBITDA was \$310 million. Management attributed the price strength to seasonal demand, mill curtailments, lower European imports and transportation constraints, and said Southern trucking shortages accounted for about half of a previously flagged \$20 million second-quarter haircut. The caution flags for the second half: housing described as "stuck in second gear" and rising log costs. Third-quarter Wood Products earnings are guided slightly lower, while the full-year earnings target for the Strategic Land Solutions segment was raised \$25 million to about \$450 million.

A Cold Front Blew the Fire Weekend Open in British Columbia

A cold front that crossed British Columbia on Saturday and Sunday drove major fire growth across the southern Interior. The Pear Lake fire in the Cariboo had grown to about 445 square miles by Sunday's mapping, with more than 1,500 properties under evacuation order in the area and forecasters warning the fire was capable of runs of six to nine miles in a single day. In the Fraser Canyon, new evacuation orders extended down the Brunswick Complex and the Highway 1 closure was pushed south to Yale, with the Spuzzum and Yale First Nations evacuated. The fires have also started taking out infrastructure: BC Hydro says the Big Bar fires damaged about 230 distribution poles and 200 transmission poles near Clinton, with 34 more poles lost around Boston Bar. South of the border, Monday morning's national situation report held the preparedness level at 5 with 102 uncontained large fires and 29,201 personnel committed; year-to-date burned acreage reached 5.15 million acres, 137 percent of the 10-year average, and the Northwest remains the most active region with 50 uncontained large fires.

Factories Sped Up in July. Job Sites Did Not.

Two US prints landed Monday morning and pointed in opposite directions. The Institute for Supply Management's manufacturing index rose to 55.6 in July from 53.3, well above expectations, with new orders at 56.7, production at 58.5 — its highest reading in almost five years — and factory employment growing for the first time in 33 months. Wood products and paper products were both among the industries reporting growth, with respondents citing higher raw-material prices and elevated freight costs. The same morning, the Census Bureau said June construction spending fell 0.1 percent against expectations for a gain, and now runs 3.2 percent below a year earlier. Residential construction slipped 0.3 percent in the month, with single-family down 0.6 percent and multifamily down 0.7 percent. Goods production is accelerating while construction, the demand engine for lumber, keeps easing.

■ DEEP DIVE: THE CORRUGATED SIGNAL

Three Companies, Three Answers

The corrugated-box quarter closed with its three biggest North American producers telling three different stories. Packaging Corporation of America, reporting July 22, called it an all-time quarterly record for total corrugated shipments, with shipments from its legacy plants up 4.1 percent per day year over year, containerboard production of 1.4 million tons, and earnings of \$2.35 per share before items; it guided the third quarter higher on continued strong demand. Smurfit Westrock, reporting July 29, posted net income of \$88 million on \$8.0 billion in sales but said its North American corrugated volumes fell 4.5 percent as it deliberately walked away from low-margin business, and it cut full-year EBITDA guidance to \$4.9-5.1 billion even as its chief executive said global paper markets are as strong as he has seen in his lifetime in the industry. International Paper, reporting July 30, booked a \$12 million loss from continuing operations on \$6.0 billion in sales, said July box shipments were running softer than it expected, and cut its second-half North American demand assumption to effectively flat.

The Tally: Less Board, Fuller Machines

The industry-wide numbers arrived Friday, when the American Forest & Paper Association released its second-quarter containerboard report. Production fell 2 percent from a year earlier and is down 5 percent for the first half. Yet the machines still running are busier: the industry operating rate rose to about 95 percent from 93 percent in the first quarter, with unbleached kraft linerboard at 95.7 percent, and mill inventories ended June at their lowest level in more than 15 months. Domestic demand actually rose 1 percent year over year; the drag is exports, down 19 percent from a year earlier. Falling production alongside record-tight inventories and rising operating rates points to one explanation: the capacity is gone, not the orders.

The Supply Side Did the Work

The exit roll explains the tight machines. Last year removed three large containerboard mills from the US map: Georgia-Pacific closed its 500-plus-job Cedar Springs, Georgia mill in August 2025, and International Paper shut both its Riceboro and Savannah, Georgia mills, roughly 1.4 million combined tons, by the end of September 2025, while a 200,000-ton corrugated-medium mill in Niagara Falls, New York closed the same month. The pruning has continued into 2026 on the converting side: International Paper is closing its Carrollton, Texas box plant by the end of the third quarter, and Smurfit Westrock said last week it will close eight more converting plants across North America and Europe plus one UK mill. On top of the permanent exits sits a large temporary one: International Paper's Pine Hill, Alabama mill has been down since storm damage to a critical roof forced a suspension in early July. Outside estimates put Pine Hill's capacity near 900,000 tons a year; the company does not publish mill capacities. Management now expects the mill operational by the end of August and puts the second-half earnings impact at \$70-100 million before insurance recovery. With supply out, prices are moving: Packaging Corporation said a first announced increase was being realized in the quarter with a second beginning to flow through, and Smurfit Westrock said pricing actions are in place across practically all paper grades.

What the Box Market Tells the Wood Market

Containerboard is the biggest single product in American paper: 36.1 million tons of capacity in 2025, more than half of all US paper and paperboard capacity, by the industry association's own survey. That scale makes the box market a running referendum on the goods economy that lumber also serves. Right now it reads as a domestic economy holding up — box demand up 1 percent, e-commerce at 16.9 percent of retail sales and still growing near 10 percent a year — while the export leg shrinks. It is also a reminder that mill capacity, once retired, does not come back when demand does; the operating-rate math now pushing box prices higher was built by closures, not by demand. For sawmills the linkage is direct in one more way: virgin containerboard mills are chip buyers, and every permanent exit thins the residual market another notch. The quarter's last word belongs to the demand split itself: Packaging Corporation guided the third quarter higher on strong demand the same week International Paper cut its second-half assumption to flat.

WHAT YOU MISSED YESTERDAY

Friday, July 31, and the weekend — business, markets, and the broader economy.

- Stocks closed a whipsaw week higher. The S&P 500 rose 0.7 percent Friday to 7,489.72, the Dow added 0.5 percent to 52,485, and the Nasdaq gained 1.0 percent to 25,374, extending Thursday's sharp rebound when Microsoft's cloud results drove its best day since 2008. Amazon jumped 15 percent Friday on cloud growth while Apple fell 7.4 percent on China weakness. All three finished the week higher, but the S&P still slipped 0.1 percent for July — its first down July since 2014.
- Treasury yields kept climbing. The 10-year closed Friday at 4.74 percent, its highest since January 2025, and the 30-year topped 5.2 percent, a level last seen in 2007.
- Oil capped its biggest monthly gain since March — Brent rose 24 percent and WTI more than 20 percent in July — with Friday settlements of \$84.67 WTI and \$87.93 Brent after Iran interfered with tanker traffic in the Strait of Hormuz. Then the trade reversed: over the weekend Washington called off planned strikes on Iran as talks began, OPEC+ agreed to add 188,000 barrels a day in September, and WTI fell about 6 percent Monday toward \$80.
- June inflation data released Thursday showed prices easing but still high: the personal consumption expenditures index fell 0.1 percent in the month, leaving headline inflation at 3.7 percent and core at 3.3 percent year over year, while consumer spending rose 0.3 percent. Weekly jobless claims of 197,000 stayed near historic lows, while second-quarter employer costs rose 0.9 percent, above forecasts.
- The July jobs report lands Friday, August 7. Second-quarter results from the merged Rayonier come Wednesday, with Boise Cascade Tuesday and Interfor Thursday.

INDUSTRY & COMPANY NEWS

- **Fibre Excellence.** The Toulouse commercial court confirmed a last reprieve for the Saint-Gaudens pulp mill Thursday and the mystery investor was revealed: Soprema, the Alsatian building-materials group, which has until August 24 to file a firm takeover offer backed by a EUR 2 million guarantee. The Occitanie regional government has offered up to EUR 5 million in support, and employees have occupied the site since July 21. The court's earlier ruling directed the company's Tarascon mill toward liquidation.
- **Woodland Pulp.** Federal safety regulators proposed \$794,456 in penalties against the Baileyville, Maine pulp mill over the hydrogen sulfide release that killed two workers during shutdown procedures earlier this year. The proposed fine follows federal chemical-safety findings at the mill reported in July.
- **Drax.** The UK power generator's first-half results showed pellet production earnings falling to £64 million from £74 million a year earlier, with output falling to 1.9 million metric tons from 2.1 million a year earlier. The company pointed to tight Canadian fiber supply following its Williams Lake, BC closure.

- **Domtar.** A fire broke out early Sunday in the dry-kiln building at the company's Cross City, Florida sawmill, the former Suwannee Lumber operation and Dixie County's largest private employer. The fire was contained to the kiln building, which was heavily damaged; no injuries were reported. The company had not issued a damage assessment as of Monday morning.
- **Kitsumkalum First Nation.** The nation appointed Terrace Timber Ltd. as harvesting contractor on its tenure near Terrace, BC under a framework agreement negotiated through the province's Bill 13 process — a working example of First Nations tenure moving to active harvest through a local contractor.
- **Opal Australian Paper.** The company is cutting 84 jobs at its Maryvale mill in Victoria, Australia, citing a timber supply shortage that has persisted since the state banned native-forest harvesting.

■ MARKETS & FIRE SNAPSHOT

INDICATOR	VALUE	TREND
WTI crude	\$79.66	Down about 6% Monday as OPEC+ adds September supply and Iran tension eases
10-yr Treasury	4.74%	Friday close was the highest since January 2025; easing Monday
USD/CAD	1.40	Loonie firmer at Friday's close, from 1.41 a week earlier
US fire personnel	29,201	Preparedness level 5; 102 uncontained large fires Monday
Employment cost index, Q2	+0.9%	Above the +0.8% forecast; private-industry real pay down 0.4% y/y

■ THE BOTTOM LINE

The quarter's guided \$65 lumber-price lift showed up on schedule, and the wood-products earnings of the West's biggest timberland owner nearly doubled from the first quarter. A weekend cold front turned British Columbia's fire season into new evacuation orders, a longer Highway 1 closure and burned transmission lines, with the US preparedness level holding at 5. American factories accelerated in July while June construction spending fell, so the two engines of wood demand are pulling in opposite directions. The box market split three ways this earnings season, and the industry tally showed why prices are rising anyway: production is down but the machines that remain are nearly full. In France, the last big pulp rescue finally has a named buyer and an August 24 deadline.