THE LUMBER DAILY

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TOP STORIES

Interfor Swings Back to Profit as Lumber Prices Rise in All Five Regions

Interfor reported second-quarter net earnings of C$1.0 million, or C$0.02 per share, against a C$63.3 million loss in the first quarter, with adjusted EBITDA more than tripling to C$92.3 million on sales of C$804.4 million. The company's average selling price rose C$73 to C$739 per MBF, up 11 percent from the first quarter, with prices strengthening across all five operating regions. Production of 927 million board feet was up 71 million board feet, driven by the ramp-up of the rebuilt Thomaston, Georgia sawmill toward its 240 million board foot annual capacity and by higher operating rates in the US Northwest and BC. Unit production costs fell for the third consecutive quarter and now run C$41 per MBF below full-year 2025 levels. On the trade file, the preliminary combined all-others duty rate for 2024 shipments now stands at 25.18 percent, and Interfor expects a non-cash charge of about US$76.0 million in the second half once the final rates publish. The company noted that the new Section 338 and Section 301 tariffs taking effect this summer do not apply to its products, that about 65 percent of its lumber is both produced and sold in the US, and that only about 20 percent of total production crosses from Canada into the US market.

Ottawa and Washington Discuss Interim Trade Deal Ahead of August 19 Tariff Deadline

Canada and the US are negotiating a first-phase trade agreement aimed at breaking a months-long impasse before August 19, when 50 percent tariffs on a range of Canadian goods take effect under three Section 338 proclamations signed in July. Reports out of Ottawa late last week and this morning describe an interim package in which Canada would lift provincial bans on American alcohol, drop some retaliatory tariffs, and ease procurement and dairy restrictions in exchange for partial relief from Section 232 levies, with a quota structure under discussion that would cut the inside-quota steel tariff to 10 to 15 percent from 50 percent. Any deal is described as a first phase, with talks on remaining sectors to follow. Forest products are among the sectors under discussion for relief; Canadian softwood lumber currently carries a 10 percent Section 232 tariff on top of antidumping and countervailing duties.

US Economy Shed 23,000 Jobs in July as Rate-Hike Bets Fade

Nonfarm payrolls fell by 23,000 in July against expectations for an 83,000 gain, the Bureau of Labor Statistics reported Friday. Government employment dropped 53,000 while private payrolls added just 30,000, with softness in retail, leisure and hospitality and slower-than-usual growth in healthcare. May and June were revised down by a combined 103,000 jobs, leaving May at 129,000 and June at 57,000. The unemployment rate stood at 4.1 percent, labor-force participation slipped to 61.4 percent, the lowest in more than five years, and average hourly earnings rose 3.2 percent from a year earlier, the smallest annual increase since May 2021. Futures markets cut the odds of a September rate hike to about 42 percent from 58 percent the day before, and stocks rallied to records on the reduced pressure for tighter policy.

■ DEEP DIVE: THE GRASSHOPPER PROJECT

The Fire

The Grasshopper Fire was reported at 7:41 pm on July 23 on the east flank of Mt. Hood National Forest, following two weeks of lightning storms over the forest. It passed 9,500 acres within three days and roughly 35,000 acres by August 4, and stood at 63,659 acres and 23 percent containment in Monday morning's update, with nearly 1,400 personnel assigned. Growth last week concentrated on the northern perimeter in the Fivemile Creek and Fifteenmile Creek headwaters, and an earlier wind-driven run on gusts of 25 to 30 mph carried the fire into the Badger Creek drainage with spotting and crowning. Highway 35 is closed from about four miles west of the Highway 26 junction to the south end of Parkdale, with crews holding the western firelines along the corridor. Parts of Wasco and Hood River counties remain under Level 3 evacuation orders, Mt. Hood Meadows is under a Level 3 order with staff hoping to reopen this week, Timberline Lodge and Government Camp are at Level 1, and new Level 1 notices reached parts of Clackamas County as the fire edged west toward the Mount Hood Wilderness. The forest has closed 54 trails and 24 roads through December 31, including the 41-mile Timberline Trail. A federal fuels and fire-behavior advisory issued July 28 warned that historically low snowpack and sustained heat had set up Northwest fuels to burn hotter, faster and longer than normal. Cooler temperatures and recovering humidity helped hold the southern and eastern lines over the weekend.

The Project

Much of the fire's footprint overlaps the Grasshopper Project, a Forest Service vegetation-management project on the forest's east side that the agency identified in 2022 as a high priority for landscape resilience treatments. The project paired commercial thinning with non-commercial fuels work: small-diameter thinning, piling, crushing and pruning, followed by burning of slash piles. The American Forest Resource Council (AFRC) says the planned thinning would have improved conditions across roughly 11,000 acres in the region. Oregon Wild's 2023 legal complaint put the commercial side of the project at a scale sufficient to generate about 4,000 truckloads of logs, and argued that the western portion of the project area was operating within its normal range of wildfire behavior.

The Lawsuit and the Settlement

Oregon Wild challenged the project in federal court in June 2023, alleging violations of the Endangered Species Act, the National Environmental Policy Act and federal administrative law. The complaint argued that the variable-density thinning the Forest Service planned had not been shown effective at reducing weather-driven fire risk or improving northern spotted owl habitat in mature mixed-conifer stands, and asked the court to enjoin commercial logging in stands 80 years and older that provide owl habitat. The group did not seek a preliminary injunction, so no court order ever barred work while the case was pending. The Forest Service settled in January 2025: it dropped two old-growth units, committed to diameter limits on trees cut across the rest of the project, agreed to retain cedar and Pacific yew, reduced treatment intensity in other stands, kept canopy-cover and stand-density protections for owl habitat, and paid Oregon Wild $55,000 in litigation expenses.

The Dispute

AFRC said on August 4 that the fire tore through much of a project area where resilience treatments remained unfinished, called the delay the product of a broken system that lets litigation override the judgment of forest experts, and pointed to the project's environmental assessment, which projected the treatments would reduce wildfire risk, lower fire severity and improve suppression opportunities. The group says it is not claiming the lawsuit caused the fire. Oregon Wild responds that nothing prevented the agency from laying out timber sales and putting them up for bid at any point in the past three and a half years, and that Forest Service project data show 98.4 percent of the contracted non-commercial mechanical fuels work was complete by 2025, with the remainder consisting largely of slash piles left to dry for planned winter burning. The group also says the agency told it last fall that pre-sale layouts were not finished, roughly a year and a half after the settlement, and that the two old-growth units dropped in the settlement sit outside the fire perimeter. The Forest Service had declined to comment on the dispute as of late last week, and no burn-severity or timber-mortality analysis for the project area has been published.

WHAT YOU MISSED YESTERDAY

Friday, August 7, and the weekend — business, markets, and the broader economy.

- **Stocks:** The S&P 500 rose 0.6 percent Friday to a record 7,757.64, capping its strongest week since April at 3.6 percent; the Dow added 0.3 percent to 54,036.93 and the Nasdaq climbed 1.3 percent to 26,690.62, up 5.2 percent for the week on a chip-stock rebound.
- **Rates:** The 10-year Treasury yield fell 7 basis points to 4.60 percent after the payrolls miss, and yields edged back up Monday morning ahead of this week's inflation data.
- **Oil:** WTI settled up 1.2 percent Friday at $78.18 and Brent up 1.3 percent at $83.55, though Brent still logged a third straight weekly loss. The US has redirected 49 commercial vessels since its blockade of Iran resumed, and a report after Friday's settlement said Washington would lift the blockade once an Iran-Oman deal restores shipping through Hormuz.
- **Washington:** The Senate passed a sweeping Russia sanctions bill authorizing tariffs on China, India and other large buyers of Russian oil and gas, and extending Iran sanctions.
- **Middle East:** Attacks on shipping continued even as deal talk advanced — three Abu Dhabi National Oil Co. vessels were attacked while transiting Hormuz last week.

INDUSTRY & COMPANY NEWS

- **Metsa Group** posted second-quarter EBITDA of EUR 117 million, nearly double the EUR 60 million a year earlier, though its comparable operating result stayed slightly negative at EUR -3 million. The Finnish group's EUR 300 million cost-savings program is running ahead of target, wood products was the only business not to improve, and the quarter saw roughly 200 job cuts across UK, Finland and Estonia wood-products operations plus the end of production at the Suolahti softwood plywood mill. Softwood pulp invoicing prices rose 8 percent in Europe and fell 3 percent in China from the prior quarter, and the company estimates oil holding at $100 per barrel would add about EUR 200 million to its annual costs versus $70.
- **Lumber futures** fell for a tenth consecutive session Thursday, the longest losing streak since December 2024, retreating from a 12-month high near $650 per MBF on July 28 to the high $580s. The slide runs opposite the cash market's July prints, where major benchmark monthly averages rose 4 to 12 percent over their second-quarter levels, and it landed in a week when homebuilder confidence sat at its 15th straight month below the neutral line.
- **US Forest Service** research infrastructure drew Senate scrutiny after the agency slated 57 research and development facilities across 31 states for closure. Seventeen senators wrote to the Forest Service chief on August 6 demanding the methodology behind the March closure list, highlighting the Institute of Pacific Islands Forestry in Hilo, operating since 1956, along with the Pacific Wildland Fire Sciences Laboratory in Seattle and the Forestry Sciences Laboratory in Wenatchee — both of which conduct wildfire research and forecasting for the Pacific Northwest.
- **Domtar** said the fire that broke out August 2 in the No. 3 dry kiln at its Cross City, Florida sawmill was brought under control, with the kiln area closed until further notice while the rest of the mill resumed normal operations. The cause remains under investigation.

■ MARKETS & DEMAND SNAPSHOT

INDICATOR	VALUE	TREND
WTI crude (Fri settle)	**$78.18**	Up 1.2% Friday; Brent logged a 3rd weekly loss
10-yr Treasury (Fri close)	**4.60%**	Down 7 bp on the payrolls miss
USD/CAD	**1.3962**	CAD at its firmest in about a month
Homebuilder confidence (July)	**34**	15th straight month below the 50 line
July nonfarm payrolls	**-23,000**	vs +83,000 expected; prior months cut 103,000

■ THE BOTTOM LINE

The Grasshopper Fire is still growing on Mt. Hood's east flank, and and industry and conservation groups are publicly disputing whether litigation delayed the fuels work planned in its path. An 11 percent quarterly price gain and falling costs carried one of North America's largest lumber producers back to profit. Ottawa and Washington are discussing an interim tariff package with nine days until the August 19 deadline, and forest products are among the sectors on the table. July payrolls fell, rate-hike bets faded, and stocks set records. Lumber futures dropped ten sessions straight even as July cash averages climbed.