

TOP STORIES

Softwood Lumber Producer Prices Post Their Biggest Annual Gain Since 2022

The Bureau of Labor Statistics released July producer price index (PPI) data Thursday morning, and softwood lumber led the building-materials complex: prices rose 8.2 percent in the month and 15.0 percent from a year earlier, putting the index at its highest level since November 2022. The July jump follows a 2.1 percent increase in June. The overall final-demand index was unchanged in July and stands 4.7 percent above a year ago, held down by a 5.7 percent drop in gasoline that pulled final-demand goods down 0.7 percent. Construction prices rose 2.2 percent in the month, and the lumber index within processed intermediate goods rose 5.0 percent. Plywood is up 9.2 percent from a year earlier. Softwood lumber's 12-month gain now runs more than 10 percentage points ahead of overall wholesale inflation.

Western Keeps Cowichan Bay Down for the Year as Its Specialty Mix Reaches 57 Percent

Western Forest Products reported second-quarter results Wednesday after the close and told employees at its Cowichan Bay sawmill the mill will remain curtailed for the remainder of the year, citing persistently weak markets, high softwood duties and tariffs, and the BC operating environment. The mill was down seven weeks in the quarter; Duke Point took two weeks and Ladysmith one. Production fell to 130 million board feet from 172 million a year earlier, while the specialty mix rose to 57 percent from 52 percent and the average selling price climbed 12 percent to \$1,390 per MBF (all figures Canadian dollars). Net income was \$10.5 million against a \$17.4 million year-ago loss, helped by a \$31.3 million insurance recovery on the Columbia Vista sawmill fire; adjusted EBITDA was \$0.4 million on revenue of \$239.6 million. The company sold the Columbia Vista site on July 31 for US\$14.7 million, and its \$80 million Stillwater sale is expected to close in the second half. On duties, the amended preliminary seventh administrative review sets Western's combined rate at 25.18 percent against the 35.16 percent it deposits today; if finalized unchanged, Western will book a US\$26.6 million non-cash export-tax expense plus about US\$5.5 million of interest. Western sees Japan demand improving and China softening through the third quarter.

BC's Provincial Emergency Reaches Day Six With the Okanagan Still Under Evacuation

British Columbia's state of provincial emergency, declared August 8 after the Bald Range fire overran the community of Faulder and forced more than 20,000 people from communities along Okanagan Lake, entered its sixth day Thursday with the fire still out of control. The fire stood near 44,000 acres Wednesday, one of 104 active wildfires in the province, with 193 fire personnel, 147 structure-protection personnel and 14 helicopters assigned. Forests Minister Ravi Parmar said 18 firefighting aircraft were used to rescue more than 50 people trapped by the flames in the fire's first hours. Premier David Eby met evacuees, mayors and First Nations leadership in Penticton Wednesday and said the province has increased evacuee-helpline staffing more than 400 percent after residents reported delays reaching support services during the weekend peak in Summerland. The emergency follows the Bradley Creek fire a week earlier, which destroyed roughly 230 homes at the head of Okanagan Lake.

■ DEEP DIVE: THE COST-PUSH MARKET

What Mills Are Booking

Weyerhaeuser's second-quarter lumber realizations averaged \$508 per MBF, up 15 percent from the first quarter. Interfor's average selling price rose 11 percent to C\$739 per MBF. GreenFirst realized C\$764 against C\$666 the prior quarter, Rayonier called its lumber realizations the highest in nearly four years, and Western's average price rose 12 percent to C\$1,390 per MBF on a 57 percent specialty mix. Every public producer that has reported this season posted higher quarter-over-quarter realizations.

The Duty Stack

A growing share of the price of Canadian-produced lumber is government levies. Canadian shipments carry a 10 percent Section 232 tariff, and producers deposit combined antidumping (AD) and countervailing (CV) duties of 35.16 percent while the seventh administrative review is pending, for a total of 45.16 percent at the border. The amended preliminary review rate of 25.18 percent, if finalized unchanged in the second half, would bring that total to 35.18 percent with the tariff included. On August 19, separate 50 percent Section 338 tariffs are set to take effect on roughly a hundred forest-product lines, mostly panels, veneer and paper, unless negotiators land a deal first.

Supply Keeps Leaving

Western's Cowichan Bay will stay down through year-end, and it joins a growing list: Canfor closed Fox Creek permanently in late July, Duke Point and Ladysmith took downtime in the second quarter, Quesnel River Pulp begins a two-month shutdown on the fiber side September 4, and more than 20 BC mills have closed since 2023. Western's market outlook Wednesday said reduced lumber supply across North America has helped offset weaker demand and support prices across key product categories. That support has held even with lumber futures trading in the high \$500s per MBF, down from a late-July peak near \$650.

The Hardwood Exception

Hardwood lumber producer prices rose 3.3 percent over the same twelve months, less than a quarter of softwood's gain. Hardwood carries no duty stack: supply is overwhelmingly domestic, and prices still move on demand from furniture, cabinets and flooring, all of which remain weak. On the export side, Turkey imposed an immediate ban on oak imports from all countries effective August 4 under new plant-health measures, closing a market for American red and white oak shippers; at least one Turkish furniture maker reports about a month and a half of oak stock on hand.

WHAT YOU MISSED YESTERDAY

Wednesday, August 12 — business, markets, and the broader economy.

- The S&P 500 rose 0.3 percent to 7,748.50 and the Nasdaq added 0.5 percent to 26,588.49 as Tuesday's cooler July inflation reading continued to support stocks; the Dow slipped less than 0.1 percent to 53,770.27.
- The 10-year Treasury yield eased to 4.65 percent, extending its pullback after the July consumer price index (CPI) came in at 3.4 percent with core at 2.5 percent.
- WTI settled at \$83.27 and Brent at \$88.98, each up seven cents, as reported attacks on vessels in the Red Sea and Gulf of Oman kept shipping risk in focus.
- Several large technology companies reported stronger spring-quarter growth than analysts expected, driving the Nasdaq's gain.
- Canadian building permits rose 18.5 percent in June to C\$14.89 billion, with residential permits up 6.3 percent and non-residential up 37.5 percent on a large Toronto institutional project, per Statistics Canada.

INDUSTRY & COMPANY NEWS

- **Environmental Protection Agency** crews began removing chemicals from the dormant Cosmo Specialty Fibers pulp mill in Cosmopolis, Washington on August 3 after the owner missed deadlines to start the work itself. More than 750,000 gallons of process chemicals remain on site, including so-called red liquor; removal is expected to take about five months. The owner disputes the need for the action and says it jeopardizes financing for a restart.
- **Metsa Group** cancelled its planned Kuura textile-fibre mill in Kemi, Finland, citing rapid growth in man-made cellulosic fibre capacity in Asia that has undercut premium pricing. The company will instead spend about EUR 25 million on a fibre-based food-packaging line at its Aaneoski site, with capacity above 100 million products a year and startup targeted for 2028.
- **The Commerce Department** finalized a 216.01 percent China-wide antidumping rate covering 11 Chinese wooden-bedroom-furniture exporters for the 2024 review period, published in the Federal Register Wednesday. No party commented on the April preliminary results, which were adopted unchanged.
- **New Brunswick's** balsam fir is dying off across the province following last summer's record drought, with trees turning red and drying out, according to University of New Brunswick forestry researchers. Balsam fir makes up about 20 percent of the province's trees and more than 95 percent of its Christmas-tree crop; similar die-offs followed the hot, dry summers of 1986 and 2018.
- **Sheets Unlimited**, one of the largest independent corrugated-box manufacturers in the Pacific Northwest, ordered a Valmet quality-control system for its Washington state corrugator, recorded in Valmet's second-quarter order intake with delivery in the fourth quarter and commissioning in January 2027.

MARKETS & FIRE SNAPSHOT

INDICATOR	VALUE	TREND
Softwood lumber PPI, year over year	+15.0%	Highest index level since November 2022
10-yr Treasury	4.65%	Eased further after the tame CPI print
WTI crude	\$83.27	Little changed; Red Sea shipping risk in focus
US wildfire acres, YTD	6.49M	154% of the 10-yr average; preparedness level 5
BC active wildfires	104	Provincial state of emergency in its sixth day

THE BOTTOM LINE

Softwood lumber producer prices rose 8.2 percent in July and 15 percent over the year, the fastest annual climb since 2022, while overall wholesale inflation was flat in the month. One of the BC coast's biggest specialty producers will keep a Vancouver Island sawmill curtailed through year-end even as its selling prices and specialty mix climb. BC's provincial emergency is in its sixth day, with the Bald Range fire still out of control above Summerland and 104 fires burning provincewide. Duties and shrinking supply are setting the price of softwood while housing demand sits at cycle lows, and next Wednesday's Section 338 deadline would add a further 50 percent on panels, veneer and paper. Hardwood, which carries no duty stack, is up just 3.3 percent on the year.