THE LUMBER DAILY

Wednesday, September 2, 2026
Japan Lane Edition
Est. 2026 | Vol. 1, No. 109

TOP STORIES

BC Interior Stumpage Inputs Step Up for September

British Columbia's Timber Pricing Branch parameters for stumpage calculated between September 1 and September 30 took effect Tuesday, and the lumber values that feed the Interior appraisal formula rose in every zone. The September set uses average market values for the two months ended June 30. The spruce, balsam and lodgepole pine value moved to C$447 per MBF in Zone 5, the Northern Interior and Quesnel, from C$445; to C$492 in Zone 7, the Southern Interior, from C$482; to C$432 in Zone 8, the Southern Cariboo, from C$411, a 5.1 percent step and the largest of the five zones; and to C$448 in Zone 9, Fort Nelson and the Peace, from C$446. Interior cedar, carried as a single province-wide value, rose to C$1,275 from C$1,261. Fir and larch moved from C$449 to C$479 in Zones 5 and 8 and from C$493 to C$506 in Zone 7. Two other inputs moved the same direction. The Bank of Canada two-month average exchange rate fell to US$0.7205 per Canadian dollar from US$0.7280, and the 12-month running gap between the annual allowable cut (AAC) and actual harvest widened to 11.02 million cubic meters from 10.82 million. These are appraisal inputs, not stumpage rates; the rate on any given licence depends on its own cost and cruise data. Higher lumber values and a weaker Canadian dollar both put upward pressure on appraised stumpage.

Bank of Canada Holds at 2.25 Percent and Says the Trade Talks Broke Down

The Bank of Canada held its overnight rate target at 2.25 percent this morning, with the Bank Rate at 2.5 percent and the deposit rate at 2.20 percent. The statement put the trade file in plain words: new US tariffs and Canadian counter-measures "have been announced following the breakdown of trade talks between Canada and the United States," and the two situations, the tariffs and the Middle East conflict, "remain fluid." The bank said the new tariffs and counter-tariffs "will also raise costs for some businesses and could feed into consumer prices over time," and that upside risks to inflation have increased while the tariffs make growth prospects more uncertain. Canadian GDP grew 3.3 percent in the second quarter after a very weak first quarter, unemployment edged down to 6.4 percent in July, headline inflation has hovered around 3 percent on gasoline, and inflation excluding gasoline was 2.2 percent in July. The statement said there was "some rebound in housing activity" after several weak quarters. Long-term bond yields have moved up globally, including in Canada. The statement does not mention lumber, forestry or wood products. Canada's counter-tariffs, which put US softwood lumber lines at 25 percent, take effect September 8. The next rate decision is October 28. The bank's daily average exchange rate for Tuesday was C$1.3896 per US dollar, from C$1.3866 Monday.

Northwest Fires Still Carry Half the Nation's Crews as Rain Approaches

The Incident Management Situation Report issued at 7:30 a.m. Mountain time Wednesday kept the country at preparedness level 5 with 84 uncontained large fires and 20,245 people assigned, down 1,023 from Tuesday. The Northwest geographic area holds 10,091 of them and 25 of the uncontained large fires. Year to date the country has recorded 52,626 fires and 8,265,751 acres, 126 percent and 163 percent of the ten-year averages. Ranked by structures lost, the footprint's heaviest fire remains Kaiser Canyon on the Colville Reservation near Nespelem, Washington, at 67 structures and 99 percent contained. Grasshopper southwest of Dufur, Oregon, and the Rowe Creek Complex south of Fossil stand at 33 each, both above 80 percent contained. Sinlahekin west of Tonasket has lost 30 structures, is 38 percent contained, carries 1,352 people and still has evacuations in effect. Little Giant northwest of Leavenworth has lost 26 structures at 170,784 acres and 49 percent containment, and its 1,716 personnel plus 240 soldiers from Joint Base Lewis-McChord make it the largest single commitment on any fire in the country. The most active fire in the region is McCully, 22 miles northwest of Baker City, Oregon, which grew 1,919 acres in a day to 13,150 at 4 percent containment with extreme fire behavior and evacuations in effect. The forecast calls for cooler weather and developing rain across the Northwest into western Montana.

■ DEEP DIVE: THE JAPAN LANE

Four Months Up

Japan's housing ministry reported Monday that July starts rose 8.2 percent from a year earlier, the fourth consecutive monthly gain and above the 7.9 percent market consensus. The pace slowed from June's 18.6 percent, which had followed 33.9 percent in May, the fastest growth since March 2025, and 11.4 percent in April, the first increase since October 2025. March had printed a 29.3 percent decline. Inside the July number the mix shifted. Owner-occupied starts, the closest thing to flat, rose 0.4 percent after 15.7 percent in June. Rental starts rose 10.0 percent after 24.6 percent. Built-for-sale homes rose 14.6 percent after 14.2 percent, the only category that accelerated. Prefabricated starts fell 6.9 percent after a 13.7 percent gain. Platform-frame, or two-by-four, starts fell 8.5 percent after a 7.4 percent decline in June, a second straight month down for the method that consumes imported dimension lumber. June's absolute count was 66,344 units. The platform-frame softness was the point of the June report covered here a month ago; the July report adds that growth in owner-occupied building, the traditional post-and-beam market for Douglas-fir and hemlock squares, has nearly stalled at 0.4 percent.

What the Coast Mill Sees

Western Forest Products, which has sold hemlock and Douglas-fir into Japanese traditional homebuilding for more than a century, gave Japan the best line in its second-quarter outlook. Lumber demand there improved as housing starts gained momentum through the quarter and lumber inventories at the ports decreased, and the company expects the Japanese market to be stable through the third quarter. China is expected to soften seasonally on heat. North American markets are expected to be relatively stable on reduced supply, with affordability, interest rates and fuel costs holding demand down. The numbers behind the outlook were a North American story. Lumber shipments fell 25 percent from a year earlier, and the company's combined duty and tariff rate on US-bound lumber was 45 percent against 14 percent in the same quarter of 2025. Adjusted EBITDA was C$0.4 million against C$0.5 million a year earlier, on a 35 percent higher log harvest, specialty products at 57 percent of sales and improved lumber pricing across many product lines. The Cowichan Bay cedar sawmill stays curtailed through the end of 2026, and the chief executive said a restart needs a meaningful reduction in duty and tariff. The third-quarter order file stood at about 118 million board feet. Chemainus has been curtailed since 2025. For a coastal producer whose US window is priced at 45 percent, the Japanese account is the part of the book that is holding.

Logs Outrun Lumber

The lane is splitting by product. US softwood log exports in the second quarter, the latest quarter of Census trade data, totaled $129.25 million and 964,446 cubic meters. Value was 5.3 percent below the first quarter on 19.3 percent less volume, and 27.3 percent above the second quarter of 2025. Japan was the largest destination at $51.18 million and 259,282 cubic meters, 39.6 percent of US softwood log export value and more than double Canada's share, at an average $197.38 per cubic meter. Japan's take rose 7.2 percent from the first quarter's $47.74 million. Shipments to Canada fell 60.8 percent to $18.56 million, and April carried 43.2 percent of the quarter's value before May and June softened to $38.14 million and $35.24 million. Large-diameter Douglas-fir and western red cedar for post-and-beam construction drive the log side. Sawn lumber runs the other way. Japan's softwood lumber imports were 3.2 million cubic meters in 2023, down 33 percent in a year and down roughly half over six years. Canada remained the largest supplier at 758,000 cubic meters, down 19 percent, with Finland at 578,000, Sweden at 567,000 and Russia at 467,000. Canadian softwood volume to Japan fell about 60 percent between 2017 and 2023.

The Yen and the Home Team

Two forces frame the fall. The yen is trading near 160 to the dollar. On August 3 the US Treasury and Japan's Ministry of Finance confirmed a coordinated yen-buying operation carried out the previous Friday, July 31, the first joint action in more than a decade, and neither disclosed the size of that operation. Japan has since reported 15,399.3 billion yen of total currency intervention between July 30 and August 26, without breaking out the joint operation. By August 12 the yen had resumed its slide. The Bank of Japan's policy rate has been 1.00 percent since a 7-1 vote on June 16, the highest since 1995, and the board meets again September 17 and 18 with a further increase widely expected. A weaker yen raises the landed cost of every dollar-priced square and every dollar-priced log; a higher policy rate narrows the gap with US rates that has weighed on the currency, and Tokyo has shown it will also intervene directly. The second force is policy. Japan's wood self-sufficiency was 43 percent in 2023 against roughly 82 million cubic meters of annual demand. The Forest and Forestry Basic Plan targets domestic wood consumption of 42 million cubic meters, up from 35 million, and self-sufficiency of 49 percent by 2035. About 40 percent of Japan's roughly 62 million acres of forest is planted, and sugi and hinoki supplied 73 percent of domestic roundwood production in 2023, sugi alone 58 percent.

WHAT YOU MISSED YESTERDAY

Tuesday, September 1 - business, markets, and the broader economy.

- US stocks fell after the United States struck about 100 Iranian targets around the Strait of Hormuz, including Iranian oil tankers for the first time, a day after two tankers leaving the strait were hit. The S&P 500 closed at 7,631.47, down 0.71 percent; the Dow at 52,766.88, down 419.02 points or 0.79 percent; and the Nasdaq at 26,099.77, down 1.03 percent. Monday's session had closed lower as well, at 7,686.14, 53,185.90 and 26,370.89, and all three indexes finished August higher.
- The Institute for Supply Management (ISM) manufacturing index fell to 54.6 in August from 55.6, an eighth straight month of expansion. New orders fell 3.0 points to 53.7, backlogs 3.2 points to 51.8, employment 1.6 points to 51.2, and the prices index held at 71.1. Fifteen of 18 industries reported growth, with Furniture and Related Products fifth on the list. Wood Products was one of two industries reporting contraction, alongside Chemical Products.
- Construction spending fell 0.5 percent in July to a $2,157.6 billion annual rate and was 3.8 percent below July 2025. Private residential spending fell 1.3 percent to $859.0 billion, and new single-family construction fell 3.2 percent, the largest drag on the private total.
- Job openings were little changed at 7.3 million in July, with hires and total separations both at 5.1 million; construction openings rose by 28,000. The 10-year Treasury yield closed at 4.79 percent, up 4 basis points on the day and the highest close of 2026; the 2-year closed at 4.39 percent and the 30-year at 5.27 percent.
- Retail diesel split by region in the week of August 31. The national on-highway average fell 5.3 cents to $5.599 a gallon, the West Coast average rose 9.0 cents to $6.497 and California rose 17.8 cents to $7.218. The West Coast excluding California rose 1.3 cents to $5.872.

INDUSTRY & COMPANY NEWS

- **Sustainable Forestry Initiative** named Matthew Reddy chief executive officer effective September 1, succeeding Kathy Abusow, who announced her retirement plans in January. Reddy brings more than two decades of executive work across sustainable forestry, conservation, commodity certification systems and public-private partnerships. The board chair cited his knowledge of the forestry sector and of global investment landscapes; the search began in February.
- **Holmen** will cut annual production at its Linghem sawmill in Sweden to about 26,000 cubic meters from 72,000, a reduction of roughly 64 percent, and has notified about 18 employees, citing historically high sawlog prices and what it called the weakest lumber market in 30 years. The company said the market has deteriorated since the 2020 to 2022 peak while competition for raw material and costs have risen, and that at current log prices it cannot supply Linghem at a competitive cost.
- **Northern Timber Nova Scotia** received an amended ministerial order from Nova Scotia's environment minister on Thursday clearing decommissioning, abatement and demolition of the former Northern Pulp mill at Abercrombie Point on Pictou Harbour. All solid waste, including construction and demolition debris, must go to an approved disposal facility, and the work must be finished within 18 months. The owner expects to start as early as September, and Domtar has said it expects completion in the fourth quarter of 2027. The mill's roughly 425,000 acres of forest land and its nursery were sold to Tidnish Holdings in the creditor-protection process.
- **Domtar** said it is "exploring a variety of possibilities for the future of the site" at Crofton, British Columbia, after the local member of Parliament, Jeff Kibble, called on Ottawa to run an immediate feasibility study on using the closed pulp mill's deep-water berth and upland for an expansion of the Esquimalt naval base. The mill's closure earlier this year ended more than 65 years of pulp production at Crofton. Crews were loading logs onto a ship at the site's deep-sea dock on Friday.
- **University of Michigan** opened its new College of Pharmacy building on Friday, a six-story, 142,000-square-foot hybrid mass timber structure that its architects describe as the tallest mass timber research building in the world. Engineered wood replaces much of the steel typical of large research facilities, and the design team puts the embodied-carbon reduction at 59 percent against a conventional steel frame. It is the first mass timber building on the Ann Arbor campus and consolidates a program that had been spread across seven buildings.
- **City of Spokane** issued its first post-fire rebuild permit on August 27, two days after the application, for a single-family home built in 2023 whose approved plans were transferred to the new permit. The city has cut the demolition permit fee to $35, waived processing and technology fees for fire-affected owners, and will let homes built after February 1, 2021 reuse their original approved plans. Asbestos surveys and hazardous-material removal must precede any demolition permit.

■ TIMBER INPUTS & RATES SNAPSHOT

INDICATOR	VALUE	TREND
BC Interior spruce appraisal value, Zone 7	**C$492/MBF**	Up from C$482 for September
BC Interior cedar appraisal value	**C$1,275/MBF**	Up from C$1,261 for September
Bank of Canada overnight rate	**2.25%**	Held; next decision October 28
US dollar, Bank of Canada daily rate	**C$1.3896**	Up from C$1.3866 Monday
10-year Treasury yield	**4.79%**	Up 4 bp, highest close of 2026
On-highway diesel, West Coast	**$6.497/gal**	Up 9.0 cents; national average down 5.3 cents to $5.599
ISM manufacturing index, August	**54.6**	Down 1.0; Wood Products one of two industries contracting

■ THE BOTTOM LINE

Four months of rising Japanese housing starts have not reached the two-by-four segment, and in July growth in owner-occupied starts nearly stalled, while the yen sits near 160 and Tokyo's domestic-wood program targets 49 percent self-sufficiency by 2035. The coastal producer that sells into that market called Japan stable and put its own problem at the US border, where its duty and tariff rate is 45 percent. British Columbia's Interior appraisal inputs rose in every zone for September, and the Interior harvest is running 11 million cubic meters below the allowable-cut measure used in the appraisal. The Bank of Canada held at 2.25 percent and described the Canada-US trade talks as broken down, six days before Canada's counter-tariffs on US lumber take effect. The Northwest still holds half the country's fire crews, with rain in the forecast. Wood Products was one of only two manufacturing industries contracting in August while furniture makers grew.