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Alternative 2 Edition
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# THE LUMBER DAILY

## TOP STORIES

### The Fed Raises Its Target Range and the Mortgage Survey Jumps

The Federal Open Market Committee raised the target range for the federal funds rate by a quarter point to 3.75 to 4 percent on Wednesday, on a unanimous 12-0 vote. The statement said inflation remains elevated and that the action supports a timelier return to the 2 percent goal. It is a reversal of posture from the July 29 meeting, when the Committee held at 3.5 to 3.75 percent over three dissents from members who wanted an increase. The Committee's own projections now put the median federal funds rate at 4.1 percent at the end of 2026, up from 3.8 percent in the June round, and hold 4.1 percent through 2027 against 3.6 percent previously. Against the new 3.875 percent midpoint that median implies roughly one further quarter-point increase this year, which is a projection rather than guidance. The same round put median inflation on the personal consumption expenditures measure at 3.7 percent for 2026, unemployment at 4.1 percent and growth at 2.3 percent. The weekly mortgage survey published Thursday put the 15-year fixed rate at 6.26 percent, up from 6.09 percent, and the 30-year fixed rate at 6.95 percent, up 19 basis points from 6.76 percent a week earlier and 69 basis points above where the 30-year stood a year ago.

### Builder Confidence Falls to a One-Year Low While Single-Family Starts Rise

The monthly builder confidence index published Wednesday by the National Association of Home Builders fell three points to 32, matching September 2025 for the weakest reading in a year. Current sales conditions dropped four points to 35 and six-month expectations fell six points to 37, while buyer traffic held at 23. Thirty-eight percent of builders reported cutting prices, up from 35 percent, with the average cut holding at 6 percent for a sixth consecutive month, and 66 percent used sales incentives, up from 63 percent. On a three-month moving average the West was the weakest region at 28, and the only one to improve, by a single point. Builders named mortgage rates, material costs, rising gasoline and diesel prices and labor shortages among the constraints. The residential construction figures released Thursday for August cut the other way on the single-family line: total housing starts fell 2.6 percent to an annual rate of 1,275,000 as starts in buildings of five units or more dropped to 344,000 from 444,000, while single-family starts rose 7.6 percent to 918,000. Neither change clears the survey's own significance test. Completions do: 1,128,000, down 11.9 percent on the month and 27.1 percent on the year, both statistically significant. The pipeline ahead of them thinned as well. Total permits ran at 1,394,000, down 2.7 percent, and single-family permits at 878,000, down 1.8 percent from a revised 894,000. Permits are not sampled the way starts are and carry no significance test at all. Every one of these levels is a seasonally adjusted annual rate.

### Five Fiber Awards Put $5.5 Million Behind Small-Diameter Wood

The U.S. Endowment for Forestry and Communities announced five awards totaling $5.5 million aimed at building markets for small-diameter timber, slash and low-grade logs. These are market-development awards rather than committed processing capacity. The largest, $1.7 million, goes to Sustainable Northwest together with the Intertribal Timber Council to stand up a Tribal-led wood and biomass hub, starting with three Tribal communities. The Siskiyou Economic Development Council in far northern California received $500,000. The Endowment reported 76 proposals seeking roughly $86 million against the $5.5 million available.

## ■ DEEP DIVE: ALTERNATIVE 2

### What the Regional Administrator Signed

On September 8 the regional administrator for the National Marine Fisheries Service West Coast Region signed a Record of Decision on the habitat conservation plan that the Oregon Department of Forestry has spent eight years assembling for the state forests west of the Cascade crest. The decision document went onto the weekly federal list of available environmental impact statements on September 11, at 91 FR 57866, as a combined final statement and decision. The agency selected Alternative 2, the plan as the department proposed it, over four others. Alternative 3 would have increased conservation, Alternative 4 would have cut the permit term from 70 to 50 years, and Alternative 5 would have shrunk the conservation areas to raise allowable harvest. The agency identified Alternative 3 as the environmentally preferable alternative and selected Alternative 2. The permit area is 639,489 acres, with the plan area extending 94,206 acres beyond it to cover ground the department could acquire over the term. Fifteen species are covered. Ten fall to the fisheries service, among them Oregon Coast coho, Upper Willamette spring-run Chinook and eulachon. The other five - the northern spotted owl, the marbled murrelet, the Oregon slender salamander, the Pacific marten and the red tree vole - belong to the Fish and Wildlife Service, a cooperating agency preparing its own decision. A Record of Decision is the environmental-review decision; the incidental take permit is a separate instrument, and it followed three days later. The fisheries service issued permit WCRO-2022-00281 on September 11 and the state forester signed the acceptance page the same day, which is what makes it valid. It expires 70 years from that date and covers the same 639,489 acres. It authorizes take of eight species today rather than ten: two Chinook runs on the covered list are not currently listed under the Endangered Species Act, and their authorization takes effect only if they are listed. The Fish and Wildlife Service has posted neither a decision nor a permit for its five species.

## The Volume Lives Somewhere Else

The Record of Decision prints no harvest figure at all. The volume lives in the companion forest management plan, which the seven-member Board of Forestry adopted 5-2 on July 22. Two members voted no: a vice president of a lumber company and the director of a loggers' association, both arguing that the federal rollback of habitat protections leaves the state exposed to litigation under the new plans. The board's adoption makes that plan effective once the department holds an approved habitat plan and incidental take permits from both federal services, and the department is working to a July 1, 2027 implementation date. The permit issued on September 11 satisfies the fish side of that condition; the wildlife side is still open. The projected volume stepped down as the modeling matured: 250 MMBF a year in the 2018 business case, 225 MMBF in the 2022 draft environmental statement, and 168 to 187.3 MMBF in the modeling the department put before the board in December 2023. That last figure is a seventy-year average annual across four scenarios and two modeling scales, covering Board of Forestry and Common School Forest lands together; on Board of Forestry lands alone the same tables run 162.3 to 181.4 MMBF. The counties measure against a ten-year average of 249 MMBF on their trust lands, a historical figure on the narrower land base, so the two do not subtract cleanly. Coverage of the plan has put the projected decline at roughly one-fifth over the term, a modeled comparison rather than that subtraction. The constraint the plan writes down is geographic. Its first five conservation actions are the aquatic set - riparian conservation areas, equipment restriction zones beside streams, stream enhancement, fish-passage barrier removal and road standards - and the sixth and seventh establish and manage the habitat conservation areas. Habitat conservation areas are not no-touch ground; the plan allows variable-retention harvest and variable-density thinning inside them as ecological silviculture. Riparian conservation areas are effectively no-cut, with the plan permitting felling only for stream crossings, yarding corridors, hazard trees and aquatic restoration.

## Where the Money Splits

Ninety-eight percent of the revenue that supports the department's management of these forests comes from timber. The split depends on which of two land classes a log comes off. Board of Forestry Lands are the cut-over, burned and tax-delinquent acres counties deeded to the state under a Depression-era arrangement; revenue from them is shared 63.75 percent to the counties and local taxing districts where the harvest happens and 36.25 percent retained by the department. Common School Forest Lands came from the federal government at statehood, and revenue off those acres goes to the Department of State Lands for the Common School Fund instead. The Fund's earnings are a separate channel that does reach schools: the state distributes them to all 197 Oregon districts each year by student count, $76.8 million in 2025. The plan area spans 17 counties, and the plan states that 14 of them, with the taxing districts inside them, share in the revenue. Jewell School District in Clatsop County has one school and 115 students, and its operating budget is covered entirely by timber revenue from the Clatsop State Forest - so entirely that the state education department sends it nothing from the State School Fund. Its Common School Fund distribution in 2025 was $14,482. Since the board approved the plan, that operating budget has gone from $4.3 million to $3.6 million, a drop of about 16 percent. The state's answer is that $3.6 million is close to what the equalization formula would have allocated the district anyway. The district sued in March 2024, was dismissed later that year, and in May 2026 won a reversal at the Oregon Court of Appeals that sent the case back for a trial not yet scheduled. Its theory rests on a 2010 administrative rule requiring the department to manage harvest levels so the program funds itself, and its counsel has said on the record that the object is to force harvest revenue above what the plan will produce. That same counsel predicted federal officials might reject the plan outright.

## The Alder on the Tillamook District

The hardwood story on these forests is a Tillamook District story, and the plan is unusually direct about it. More than 70,000 acres of alder-dominated stands carry no significant conifer component on that district alone, a legacy of repeated fire and cut-and-run logging before the state took the ground - the Tillamook Burn fires of 1933, 1939, 1945 and 1951. The dominant cohort in those red alder stands is between 40 and 80 years old. Red alder rarely live more than 100 years. The plan states that mortality in the district will rise over the next 20 years as the cohort reaches the end of its life expectancy, which is the department's projection rather than a measurement. At least 30,000 acres of hardwood-dominated stands across the plan area sit on ground that is protected or operationally limited for harvest, riparian hardwood among them. Summing the plan's own table of forest types, which rests on 2022 inventory, gives 19,140 acres of homogeneous hardwood and 68,670 acres of mixed hardwood across the plan area's six districts, together about 13.7 percent of the 639,540 acres the table accounts for. The Tillamook District holds 16,680 of the homogeneous acres and 51,540 of the mixed, which total 68,220 against a narrative that describes more than 70,000 alder-dominated acres on the same district. The two are not the same measure - the table's classes are defined by species-group share and cover all hardwoods rather than red alder specifically - and the department has not published a reconciliation. In conservation-emphasis areas the plan retains more hardwood than a general stewardship stand would; in economic-emphasis areas it treats conversion of some hardwood stands to conifer as a priority. In the same passage it says that ensuring a continued supply of hardwood logs to local mills remains a priority as well.

## WHAT YOU MISSED YESTERDAY

*Wednesday and Thursday, September 16 and 17, with the latest scheduled releases where they are older - business, markets, and the broader economy.*

- American stocks rose on Thursday. The Dow Jones Industrial Average gained about 0.6 percent, the S&P 500 about 1.1 percent and the Nasdaq Composite about 1.7 percent.

- Treasury yields fell the day after the rate increase. Thursday's par yields were 4.67 percent at two years, 4.94 percent at ten and 5.29 percent at thirty, down from 4.74, 5.01 and 5.35 on Wednesday. Measured from the prior Friday, when the same three stood at 4.63, 4.96 and 5.35, the two-year is up four basis points, the ten-year down two and the thirty-year down six.
- On-highway diesel averaged $6.285 a gallon in the September 14 survey, up 31.8 cents in a week and $2.546 above the same survey a year earlier. The West Coast excluding California was $6.566 and California $8.039.
- Foreign exchange readings through Friday, September 11, the latest published, had the Canadian dollar at 1.3864 to the American dollar, weaker across that week from 1.3779, the euro at $1.1604 and the yen at 153.71.

## INDUSTRY & COMPANY NEWS

- **Irving Forest Products** will expand its Ashland sawmill in Aroostook County, Maine, from 130 MMBF of annual capacity to 250 MMBF. The company reported $112.9 million in combined federal new markets tax credit and Maine state tax-credit allocations behind the project, generating roughly $44 million in credits across seven participating development entities. The 220 full-time positions cited are a create-and-retain expectation rather than new hires.
- **The National Institute of Standards and Technology** published a proposed revision of Voluntary Product Standard PS 2, wood structural panels, for comment, with the comment period closing October 13. The proposal, PS 2-25, would revise PS 2-18. It was coordinated by APA - The Engineered Wood Association; the institute administers the voluntary standards process and publishes the result rather than writing it. PS 2 governs performance-rated structural-use panels.
- **The National Lumber and Building Material Dealers Association** asked for relief from the Section 338 tariffs this week, naming wood mouldings, doors and frames, laminated veneer lumber, plywood, veneered panels, medium-density fiberboard and particleboard among the covered products. Coniferous sawn lumber does not appear on the customs list issued for the August 22 effective date. The offset that had let Section 232 wood products zero out the Section 338 duty was narrowed on September 15 to a single heading that does not cover wood, so the two measures now stack. The association reported that 80 percent of responding members saw sourcing or availability effects and nearly 87 percent saw higher supplier prices, from its own member survey with no sample size given.
- **Neighborhood Intelligence** announced on September 8 that its agreement to acquire F9 Brands, the parent of Lumber Liquidators and Cabinets To Go, had been terminated. The buyer attributed the termination to unmet closing requirements, which is its own characterization rather than a joint statement, and said no shares will be issued and no acquisition capital deployed in connection with F9.
- **National fire preparedness** held at level 3 in Friday morning's situation report, with 50 uncontained large fires and 12,315 personnel committed against 104 active incidents. Year to date the country has recorded 56,289 fires and 8,523,213 acres, 126 percent of the ten-year average count and 146 percent of the average acreage. The Northwest carried 27 incidents, 15 of the uncontained large fires and 5,129 personnel, with 3,020,920 acres year to date. Of those, 1,977,654 acres are recorded under Bureau of Land Management protection and 462,836 under Forest Service protection - a protection responsibility rather than a measure of ownership or of merchantable timber lost.

## ■ MARKETS & HOUSING SNAPSHOT

| INDICATOR | VALUE | TREND |
|---|---|---|
| Federal funds target range | **3.75-4.00%** | Raised a quarter point September 16 on a 12-0 vote |
| 30-year fixed mortgage rate | **6.95%** | Up 19 bp from 6.76%, September 17 survey |
| Builder confidence index | **32** | Down 3 points, matching September 2025 for the weakest in a year |
| Single-family housing starts | **918,000** | Up 7.6% on the month; August seasonally adjusted annual rate |
| Single-family building permits | **878,000** | Down 1.8% from a revised 894,000; August annual rate |
| On-highway diesel, US average | **$6.285/gal** | Up 31.8 cents in a week, September 14 survey |

## ■ THE BOTTOM LINE

Two rate numbers set the week. The Federal Reserve raised its target range a quarter point to 3.75 to 4 percent on a unanimous vote, and the September 17 survey put the 30-year fixed mortgage rate at 6.95 percent. Builder confidence, surveyed before the decision, fell three points to 32, with the West weakest at 28. August single-family starts rose 7.6 percent, but permits fell and completions ran 27.1 percent below a year earlier. Oregon's western state forests have their federal authorization on the fish side now: a decision signed September 8 and a 70-year permit issued September 11 across 639,489 acres, with the wildlife service's own decision still outstanding. The plan behind it calls hardwood log supply to local mills a priority while treating conifer conversion as one too.