THE LUMBER DAILY

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TOP STORIES

China's Tariff-Relief List Names US Hardwood Lumber, Logs and Douglas-Fir

The United States and China released two product lists on September 27 under a new 30-for-30 framework, each covering roughly US$30 billion of goods valued on 2024 trade. The two sides will consider the lists with a view toward reduced tariff treatment, but no rates or start dates have been published. The framework's terms of reference say future reductions will be determined and implemented under each side's domestic legal processes, and the two sides do not expect to adjust the lists more than once a year. The framework is run by the US-China Board of Trade. China's list of US goods runs to 1,619 tariff lines, 146 of them in the wood chapter. Hardwood lumber lines cover oak, beech, maple, cherry, ash, birch, poplar and other North American hardwoods. The list also carries oak logs, North American hardwood logs, Douglas-fir logs and softwood lumber, including Douglas-fir and hem-fir. Veneer, oriented strand board (OSB), medium-density fiberboard (MDF), plywood, wood flooring, windows, doors, posts and beams, and shingles and shakes are listed too. The US list of Chinese goods has 77 lines and none in the wood chapter. A White House fact sheet dated September 25, the day Chinese President Xi Jinping's state visit concluded, named logs and wood products among the US exports covered.

Appeals Court Reverses Ruling Against BLM's 13,225-Acre Siuslaw Timber Plan

A Ninth Circuit panel on September 17 reversed a district court ruling that had vacated a Bureau of Land Management (BLM) forest management plan covering a 13,225-acre area in western Oregon, west of Eugene. Cascadia Wildlands and Oregon Wild brought the challenge. US District Judge Mustafa Kasubhai in Eugene had found violations of the National Environmental Policy Act (NEPA) involving soils, noxious weeds, special-status species and cumulative effects, vacated the plan and ordered a full environmental impact statement. The panel held that a parcel-by-parcel review was not required and that BLM's soils analysis was sufficient. It found sensitive species were assessed in a separate NEPA document that the environmental assessment incorporated by reference, and that the plaintiffs had not shown the agency's cumulative-impacts conclusion was unreasonable. The decision is an unpublished memorandum in case No. 25-4161, submitted without oral argument, and was reported a week later. The panel noted that BLM has committed to further NEPA review, through a tiered assessment, a categorical exclusion review or a determination of NEPA adequacy, before approving specific harvest projects, and to a 30-day comment period on timber sale decisions.

Diesel Adds an Estimated $2.12 a Green Ton to Wood Haul

A technical release from the Forest Resources Association (FRA) published last week estimates that higher diesel prices add $2.12 to the cost of hauling each green ton of wood, an annualized additional fuel cost of more than $920 million across the 434.7 million green tons harvested annually in the United States. The model assumes a 138-mile round trip, 6.3 miles per gallon and 29 green tons per load, or about 15 million hauls a year. It uses a US average diesel price of $6.51 a gallon on September 21, up 76 percent from $3.70 a year earlier. Using state-level fuel economy figures, fuel for one round-trip load now ranges from $130.79 in Texas to $184.46 in California, from $69.88 to $114.56 a year ago. The largest total impacts fall in Mississippi, Alabama and Georgia. The release puts state and federal diesel taxes on raw forest product hauls at nearly $200 million a year and suggests a temporary suspension. Louisiana is waiving state dyed-diesel penalties from September 23 through October 22 for eligible Class 2 and Class 5 vehicles, which include forest-products and farm vehicles, under Governor Jeff Landry's Executive Order JML 26-090. For an operator to receive relief, the operator or the fuel seller must pay Louisiana's 20-cent-per-gallon excise tax. The state has also sought federal penalty relief. The governor's office put Louisiana's average diesel price at a record $6.03 a gallon.

WHAT YOU MISSED YESTERDAY

Friday, September 25 — business, markets, and the broader economy, with Monday's Treasury and Texas factory readings.

- US equities rose Friday. The S&P 500 gained 39.28 points, or 0.51 percent, to 7,743.41. The Dow rose 478.64, or 0.93 percent, to 51,828.62. The Nasdaq Composite added 129.35, or 0.48 percent, to 27,068.72.
- Treasury par yields were mixed Friday. The two-year fell 6 basis points to 4.81 percent and the 10-year 1 basis point to 5.17 percent, while the 30-year rose 2 to 5.49 percent. On Monday the 10-year rose 7 basis points to 5.24 percent, its highest reading of September and 45 basis points above September 1.
- The final September consumer sentiment reading was 48.1, from 51.7 in August and 55.1 a year earlier, the survey's lowest in four months. Year-ahead inflation expectations rose to 4.6 percent from 4.0 percent, the highest since June.
- A Texas manufacturing survey released Monday showed production at 29.5, from 16.1, and new orders at 30.7, from 22.0. Its raw materials prices index rose to 52.2 from 44.1, against a series average of 28.0.
- The Canadian dollar daily average weakened to 1.4145 per US dollar Friday and 1.4168 Monday, its sixth straight daily decline from 1.4002 on September 18.

INDUSTRY & COMPANY NEWS

- **Smurfit Westrock** agreed September 23 to buy CMPC's Chilean containerboard and corrugated business for US$420 million, to be funded from cash on hand. The assets are a recycled containerboard mill in Santiago that produces about 250,000 tons a year, three corrugated plants and a molded tray facility. The company puts the price at under six times post-synergy adjusted EBITDA, its own estimate. Closing is expected in the first half of 2027, subject to regulatory approval.
- **Greif** will close its Sweetwater paperboard mill in Austell, Georgia, by the end of the calendar year and exit the coated recycled board business, the company announced September 16. The mill has about 120,000 tons of annual capacity and makes coated and uncoated recycled board plus gypsum facing and backing paper. Approximately 90 employees are affected. Greif cited the mill's operating configuration, limited integration within its network and cost position.
- **Australia's competition regulator** said last week that Bayswood Timber Wholesalers, a Victorian importer, paid an A$19,800 infringement notice over alleged false claims about Meranti. The Australian Competition and Consumer Commission (ACCC) alleges the company's October 2025 price list stated a density for the timber and described it as suitable for bushfire attack level (BAL) 12.5 construction. The regulator alleges it was not dense enough under the national standard for BAL-12.5 door frames, or for windows and cladding within about 16 inches of the ground. Paying the notice is not an admission of a breach. Other suppliers removed similar claims when approached, and the findings have gone to state building regulators.
- **Wildfire status.** Monday morning's national situation report held the national and Northwest preparedness levels at 2. The grass and brush Second Street fire, a mile southeast of Benton City, Washington, destroyed seven structures and was 95 percent contained at 1,151 acres. Nationally, 57,339 fires have burned 8,563,287 acres this year, 124 percent of the 10-year average for fires and 142 percent for acres.
- **Correction.** The September 4 edition said Domtar's Howe Sound pulp mill was idled indefinitely August 20. Domtar announced the indefinite curtailment August 20; it is scheduled to begin October 1.

■ DEEP DIVE: THE CONTRACTS THAT RIDE WITH THE LICENSE

Eight Days Between No and Yes

The September 18 approval of the Teal-Jones sale to Gillfor Manufacturing Inc. came eight days after the same judge refused it. Teal-Jones has been under Companies' Creditors Arrangement Act (CCAA) protection since April 25, 2024, and its assets were split into 11 parcels, eight of which sold earlier in the process. The last three are a kiln and planing operation in Sumas, Washington; the Surrey mill with its timber, shake and shingle operations; and Tree Farm Licence (TFL) 46 on southwestern Vancouver Island. On July 17 the court-appointed monitor, Ernst & Young Inc., signed Gillfor for Surrey and the license through a share purchase and a reverse vesting order, a structure that moves unwanted contracts and liabilities into a shell company. Gillfor's terms required five fiber supply agreements to go into that shell. On September 10, Justice G.C. Weatherill refused to approve the deal on those terms. The interim lenders, Wells Fargo Capital Finance and Export Development Canada, had warned they faced losses in the tens of millions of dollars and would stop funding if the sale was not approved. On September 18 a tenth amendment to the purchase agreement kept the supply contracts with the business, and the judge signed the order the same day. Closing is expected in the fourth quarter, subject to regulatory approvals.

Five Contracts From 2004

The fiber obligations are older than Teal-Jones' ownership of the license. Fletcher Challenge held TFL 46 until 1993, when it sold the tenure to TimberWest on condition that fiber keep flowing to Fletcher's pulp mills. Norske Skog Canada later acquired those mills, and Domtar Inc. is its successor. Teal-Jones acquired the license from TimberWest in 2004. Five supply agreements tied to that purchase are dated May and July of that year: three covering logs, cedar logs, and chips and residual fiber with a TimberWest entity, and two covering pulp logs and chips with Norske Skog. A related first rights agreement was retained too. They give the counterparties a right to logs, chips and residual fiber from the license at market value, whoever owns it. In practice, Teal-Jones saws the license's sawlogs, sends the chips to Domtar's Howe Sound pulp mill and ships pulp logs directly to Domtar's Port Alberni mill, and TimberWest collects a management fee. The court found the contracts create a *profit a prendre*, an interest in the land itself, held by TimberWest and Domtar. It called Gillfor's claim that they would make the deal uneconomic a bare assertion, noting that every transaction under them is priced at fair market value.

What the License Holds

TFL 46 covers about 146,900 acres, mainly on the west coast of Vancouver Island. The province announced a 360,000-cubic-meter allowable annual cut for the license on May 28, 2024, 5.5 percent below the level set in 2012. The determination splits that volume in two: no more than 180,000 cubic meters from stands older than 250 years and no more than 180,000 from younger stands. It reflects old-growth harvest deferrals in the Fairy Creek watershed and the Central Walbran Valley, both inside the license. The tenure overlaps the territories of nine First Nations. The Ditidaht First Nation, in advanced treaty negotiations with the province, opposed the sale, and on July 29 its economic development partnership made an unconditional offer of 31 million Canadian dollars for the license. The monitor said it could not consider it because it was already bound to Gillfor, and the court found that reasonable. The approved structure also moves Teal-Jones' unpaid stumpage on the license into the shell company, without prejudice to the province's right to claim it when proceeds are distributed.

The Pulp Mills at the Other End

Domtar runs two coastal pulp mills, Howe Sound and Port Alberni, and a third at Skookumchuck in the interior. Its Crofton and Powell River mills have closed permanently, and the court tied those closures in part to fiber lost when Teal-Jones curtailed during the proceedings. Howe Sound is scheduled for an indefinite curtailment starting October 1, and Domtar's plan to reopen it depends on the TFL 46 contracts. The Port Alberni mill is that city's largest employer, with about 320 full-time employees and roughly 5 million Canadian dollars a year in municipal taxes, according to Domtar's evidence. The judge said that if talks with Gillfor failed, he had serious concerns that Howe Sound would close permanently and Port Alberni would follow. Gillfor affiliates Sumas Landco Inc. and Sumas Remanufacturing Inc. are buying the Sumas plant in a linked transaction. On September 18 the monitor reported that the buyer, Domtar and TimberWest had agreed on commercial terms for go-forward supply arrangements, still to be documented.

■ RATES & SENTIMENT SNAPSHOT

INDICATOR	VALUE	TREND
10-year Treasury par yield	**5.24%**	Up 7 bp Sept 28; up 45 from 4.79% Sept 1
2-year Treasury par yield	**4.92%**	Up 11 bp Sept 28, from 4.81%
Canadian dollars per US dollar	**1.4168**	Sept 28 daily average; sixth straight daily rise in the US dollar, from 1.4002
Consumer sentiment, final September	**48.1**	From 51.7 in August; 55.1 a year ago
Year-ahead inflation expectations	**4.6%**	From 4.0%; highest since June
Texas factory raw materials prices index	**52.2**	From 44.1; series average 28.0

■ THE BOTTOM LINE

China's new list of US goods for possible tariff relief names hardwood lumber, hardwood and Douglas-fir logs, softwood lumber, panels, flooring and doors, but it carries no rates or dates. An appeals panel reversed a ruling that had vacated a 13,225-acre federal timber plan in western Oregon, with further environmental review still ahead for individual harvest projects. The rise in US diesel to $6.51 a gallon adds an estimated $2.12 a green ton to wood haul, and Louisiana is offering eligible haulers state dyed-diesel penalty relief through October 22, conditional on payment of its 20-cent-per-gallon excise tax. An insolvent BC coastal sawmiller's court-supervised sale cleared only after five fiber contracts from 2004 stayed with its Vancouver Island tree farm license. Those contracts feed two coastal pulp mills, one of which is scheduled to curtail October 1.