



New Economic Realities

Mark Miller

We've recently noticed several trends that are increasingly impacting the way we plan for timber harvests. Logging contractors are increasingly busy, and labor of all sorts is in short supply.

Consider the following:

- The logging workforce is aging, there are few new contractors entering the field, and it is hard to attract and retain workers
- Record log prices means owners are cutting more timber; corporate mergers and acquisitions also drive increased cutting
- To keep pace loggers continue to mechanize, bringing increased productivity but often higher costs
- The strong economy brings more opportunities for workers to move up into other fields; worker wages are increasing to keep skilled workers
- Immigration policies are limiting the supply of new workers
- Aerial spray bans like that recently enacted in Lincoln County cause companies to use more hand labor in backpack spraying and manual release

The upshot is that logging jobs need to be planned 6 months to a year in advance. By spring most quality loggers have their schedules booked well into the fall. Loggers can pick and choose their jobs. To succeed in a competitive market your project needs to be more attractive—larger harvest volumes, good road access, and shoulder season work all help. And don't forget tree planting and spray work; the same goes for forestry labor contractors as well.

The strong relationships we've forged with quality contractors pays big dividends in times such as these. Please talk with us early if you're thinking of a timber harvest or forestry labor project.



Highlights

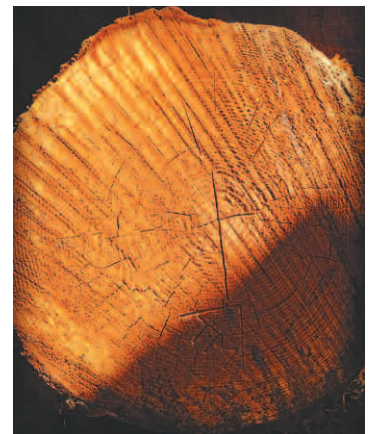
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Check out our website at www.troutmountain.com

Log Market Update

Barry Sims

This year has been a watershed year for log prices. As we move toward the end of the year, log prices across the board are at levels not seen since the bubble of the early 1990s. And it is about time, since log prices have been essentially stagnant, in real dollars, for nearly 20 years.



What are the factors driving this strong market? Here are a few that are likely contributing:

- 1) **Strong economy after the recession.** We have slowly and steadily grown out of the recession in terms of housing starts and commercial building. This has contributed to the highest lumber prices on record.
- 2) **Reduced volume of lumber coming in from Canada.** This is partially due to the softwood lumber trade dispute between U.S. and Canada, but it was also the worst fire season in BC history.

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The Cerro Gordo Story

Scott Ferguson

One of the most enjoyable aspects of being a consulting forester is the opportunity to work with people who are so connected to their forests that it's impossible to imagine them in any other place. Such is the case with Cerro Gordo and the people that own it, live on it and who see it as one of the most important aspects of their lives.

Cerro Gordo is a unique, privately owned, cooperative land venture that dates back to 1974. Led by a visionary group of back-to-the-land idealists, the cooperative bought 1,165 acres of forest and meadows with the goal of living in a rural setting while protecting the natural resources. The acreage stretches above Dorena Reservoir, near Cottage Grove, and includes a dramatic 2,200-foot butte that can be seen from town and was reputedly a sacred site of the native people in the area. The village that was originally envisioned there did not materialize, but today 12 homes are clustered in a central "development zone" of small lots, complete with wildlife corridors that connect to the forests and meadows.

Guided by founder Chris Canfield and a



An annual Bike to Blooms event includes taking in the beauty of this special property for Southern Oregon residents.

core group of supporters, the venture survived many trials and tribulations in the decades after they purchased it. I first met Chris and a few members of the Cerro Gordo community on a forest tour in 1984. At that time the group was looking for a forest manager to help them initiate a harvest program of selective logging on several hundred acres of young Douglas-fir stands. Their goal was to promote forest health and diversity while thinning for income to pay their annual property mortgage payments.

Over the years the annual harvests provided support for a community that was gradually changing as some people moved on in their lives and as other investors appeared. Ultimately over 140 different families owned a piece of the ranch, all held together by Chris Canfield with the help of a dedicated group of community supporters.

As the core group aged and looked to the future, it became apparent that the venture was not sustainable both from a financial and an actuarial standpoint. For the Cerro Gordo vision to survive all of the investors and supporters would have to be bought out and the property consolidated into one unified entity. The trouble was, there was no money available to do this. We dubbed this next effort in the saga of Cerro Gordo as "Operation Humpty Dumpty". This turned out to be one of the most satisfying projects of my career and one in which I was able to use both my forestry expertise and contacts in the conservation community to help a client.

This effort took a decade and involved the timely appearance of two new opportunities to monetize the conservation value of the ranch. The first to appear was a new conservation easement program from the NRCS that paid landowners to manage forest stands for older trees and habitat that



might help spotted owls and other denizens of the older forest. Available only in Lane and Douglas Counties, this program provided protection for 457 acres of the Cerro Gordo forest and a payment of approximately \$1,600,000 to settle accumulated debts and begin the owner buyout effort.

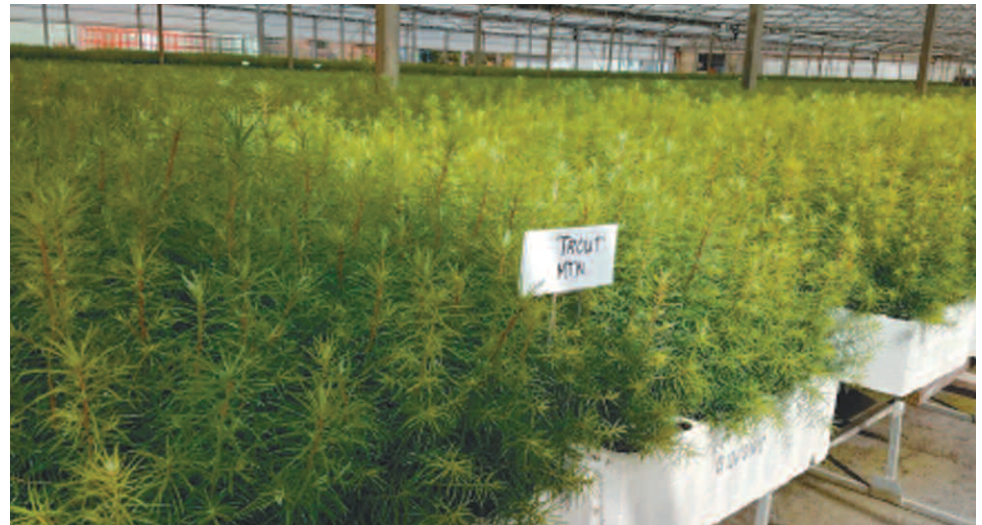
Tragically, around the time the easement closed, Cerro Gordo founder Chris Canfield died suddenly. Chris' ashes were spread on the memorial meadow up on the butte, near his wife's memorial marker. The community pulled together with a core group of members "stepping up," to help finish the work and save the ranch. This work would need to find an additional \$2,000,000 to buy out the large ownership group.

The successful final phase of "Operation Humpty Dumpty" required a lot of effort, good karma and a dose of serendipity. An additional 534 acres of Cerro Gordo—most of the area that remained outside of the original conservation easement—supports a mix of high-quality habitats, including prairie (upland prairie, wet prairie, herbaceous bald, and savanna), oak woodland, and maturing second-growth conifer forest. This site, and the quality of habitats on these acres, were a good match for yet another conservation easement program, this one managed by the Oregon Department of Fish and Wildlife and funded by the BPA. A botanical survey of the meadows found exceptional native grass diversity and several notable populations of rare and threatened plants. After two applications and four years of effort, the final piece of Humpty was put in place as these acres were placed in a conservation easement in partnership with the easement holder, McKenzie River Trust. Somehow Cerro Gordo had secured purchase agreements from all 140 owners, and the easement payment of nearly \$2,000,000 was enough to pay off all of the agreements and transfer ownership into a single nonprofit aptly named, "Cerro Gordo Land Conservancy". Mission accomplished!

Trout Mountain Custom-sown Seedlings

One of the most important components of planning for reforestation is securing the appropriate seedlings for your site. Fluctuations in log prices, weather events and large-scale ownership changes can have significant impacts on seedling availability on the open

market. To reduce this risk, Trout Mountain Forestry is now engaging with local nurseries to custom sow seedlings specifically for our client needs. Our current orders will make an appearance in a forest near you in 2019!



Log Market Update, continued from page 1

3) Perhaps most important—demand for logs has consistently exceeded the available supply. As sawmills have raised their log prices due to the record-setting lumber prices, log production has not been able to keep up. This is at least partially due to the fact that the logging industry has not yet fully recovered from the Great Recession. While logging prices generally remained flat over the past ten or more years, it is perhaps overdue for loggers to get paid more, which could incentivize existing contractors to expand and spur the formation of new companies. Trucking has in some cases been a bottleneck, as logging has slowed down due to lack of trucks to clear out the landings.

So where is the market now? Alder prices have remained about the same as the summer, around \$800/MBF for camp run good quality alder. Cedar has come off its peak price from earlier this summer, but is still at \$1,650/MBF for long logs. Hemlock prices have risen steadily and are now in the mid- to high-\$600s/MBF for domestic sawlogs and over \$700/MBF for export logs going to China.

But Douglas-fir is where most of the increases are occurring. Prices are up \$200/MBF over this time last year, with most domestic mills paying in the mid to upper \$800s. Prices in the southern part of the Willamette Valley and Roseburg area are exceeding \$900/MBF, and prices for logs bound for Japan are in the \$900-\$1,000/MBF range.

This is all great news for landowners, but as indicated elsewhere in this issue, the short supply of loggers means advance notice by landowners is very important.



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Portland Forester Updates

Barry Sims

Barry formed a partnership with a friend to purchase a 78 acre forest near Scappoose from the Hopkins family (of Clackamas County's Hopkins Demonstration Forest). He has enjoyed working on his own property, including salvaging a few loads of blowdown this spring, and looks forward to "micro-managing" the place! Meanwhile, son Dan (20) is at Portland State, and Oliver (18) will graduate from high school in May, and is looking at colleges around the PNW.



Mike Messier

Mike has been enjoying new adventures with his 2-year-old son, Miles, who went on his first backpacking trip this year. Miles hiked a half-mile all by himself to a little lake in the Indian Heaven Wilderness and proved to be an enthusiastic picker of huckleberries!



Scott Ferguson

Scott and his wife Becky spent a few days backpacking in the Olympics this September during the height of the fall colors. Camping above treeline and in the midst of alpine huckleberry fields at this time of year was a glorious experience. Sharing space with rather large Olympic black bears was also memorable. We camped at the top of Lillian Basin, where a mere 41 years ago Scott camped with friends at the base of Lillian Glacier, which is now entirely melted.



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www.troutmountain.com



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