

Jerry Howard ([00:08](#)):

Welcome to housing development. So I'm Jerry Howard.

Jim Tobin ([00:11](#)):

And I'm Jim Tobin. Hey Jerry, how are you doing?

Jerry Howard ([00:13](#)):

Hey Jim. Well, you and I had been spending a lot of time together on the phone at night, lot going on here with the lumber issue. First of all, I want to congratulate you for being able to finally get the senior officers of NHB, a meeting with secretary Raimondo.

Jim Tobin ([00:35](#)):

Yeah, well thanks. Yeah, this has been a team effort. There's a broad pool of talent here at NAHB that has been working on this. Alex Strong on my team has been using the congressional hammer, s o to speak, to really skewer any administration official that comes up before Capitol Hill. Whether it's Secretary Raimondo, Secretary fudge, Ambassador Tai, anybody, while we've had our allies on Capitol Hill driven, of course, by our grassroots advocacy over the last several months to finally get Secretary Raimondo to sit down with the officer team and the builders to talk through the lumber crisis. So again, a large team here working on this every day.

Jerry Howard ([01:28](#)):

Well yeah, and that meeting is going to be taking place here before Memorial Day. We'll be able to report back to our listeners hopefully next week on the outcome of that meeting, but staying with the same subject, we have a guest with us today.

Jerry Howard ([01:43](#)):

We're going to have Ross Stock of the Western Cascade Industries in Toledo, Oregon. Ross is going to talk about what it is, what his view on the lumber crisis is. That'll be interesting because, so I understand that he's got a pretty successful operation out there.

Jim Tobin ([02:03](#)):

Yeah, he runs a small independent mill, and he's got opinions on where the market is, where it might go, but more importantly, he's got broad opinions on the Canadian tariff issue. He's got broad opinions on our national forest policy on the big vertically integrated lumber and land companies out there. So, I'm looking forward to hearing what Ross has to say.

Jerry Howard ([02:31](#)):

Absolutely, well, in advance of that, let me just, once again, congratulate our team on moving the ball down the field here on the lumber issue. Now we're not at resolution yet, but we had a new administration, a new government gets set up. We've had the COVID issue still hanging over our heads.

Jerry Howard ([02:53](#)):

And we're now getting to the point where due to the efforts of your team on the hill that you mentioned. Jim Russo's team in the legal arena and the analytical skills and advocacy of voices of our

economics group have moved the ball to where they're listening to us now. And the results of that meeting next week will be interesting for our listeners to hear.

Jim Tobin ([03:20](#)):

Absolutely.

Jerry Howard ([03:21](#)):

With that, let's bring in our guest. We're lucky today to have with us Ross Stock of Western Cascade Industries in Toledo, Oregon. Ross, thanks for being with us.

Ross Stock ([03:33](#)):

Thank you for having me, Jerry.

Jim Tobin ([03:34](#)):

Hey, Ross it's good to see you, and hear you.

Jerry Howard ([03:37](#)):

Yeah, we appreciate-

Ross Stock ([03:38](#)):

Thanks, Jim.

Jerry Howard ([03:38](#)):

... you taking the time. Ross, as I know you're aware. In the home building sector is up in arms right now. We are paying about \$1,400 per 1,000 board feet of lumber. When we were in the midst of the housing boom in the 2000s, we were building maybe double the number of houses we're building now. The lumber was down around \$400 per 1,000 board feet. Can you explain to our listeners why that huge disparity?

Ross Stock ([04:13](#)):

In terms of the increase this year it's, from where I sit as probably as big of a mystery as it is to you. I have the reasons why I think lumber has made the move it's made this year, but it's important to remember as I'm sure as you're stating that the trading range of lumber's been effectively, really not even considering or adjusting for inflation, it's been the same since certainly the mid '80s through to the mid 2000s.

Ross Stock ([04:47](#)):

We've traded between, \$200, \$1,400 a \$1,000 for 20 years, 30 years. And occasionally we would see a run up towards \$500 as we did in 2004. And we did in the early 2000s. And we have seen it made runs down to \$100 in 2008. We always talk about the great recession. It started for us in '07, while people were asking us, boy houses are sure expensive, and everybody is building, you must be making a killing. But actually our product has lost about 35% of its value in most of that time.

Ross Stock ([05:29](#)):

So the price of lumber just does not really track with construction one to one. The correlation's undeniable, or maybe it's just too complex, but it doesn't generally relate specifically to what's happening at housing at any given time. There are a number of reasons that I think lumber has gone up. I cannot tell you why it has gone up this much. My question to the building community is, why are you paying it? And I know the answer is because you can't get it anywhere else, but it is as a producer, I don't really set the price of my lumber. I take offers. I don't personally print a list. I'm a smaller producer, and I think that's important as well in terms of my responses for people to understand.

Ross Stock ([06:26](#)):

I make about one fifth as much lumber in my one sawmill as a Weyerhaeuser or Georgia Pacific might make in one of their sawmills, one of their multiple mills, but we sell into the same markets. And so, I'm not a market mover. I am frankly astonished at the price of lumber. There are some things driving it. I believe that I don't know how much you've discussed the Canadian wood basket issues. I don't know how much you've discussed the state of the industry as far as our capacity and what it takes. I hear some pretty wild things.

Ross Stock ([07:04](#)):

I was mentioning to someone, I listened to an interview on Bloomberg, and someone discussing the price of lumber and saying, "Well, you know, mills take millions of dollars and months to set up." They take years, and they take tens of millions of dollars to set up on the industrial side. As a small producer I couldn't replace my sawmill today for \$40 million. If I wanted to rebuild a modern stab male today, you're probably talking \$40 to \$50 million, and don't forget steel has doubled in this time.

Ross Stock ([07:41](#)):

Copper is about doubled. Lumber is clearly exceptional in terms of its overall growth and price, but making, manufacturing lumber today industrially is very expensive. It's hard to get people to, if you have a labor intensive operation, it's hard to crew. And there just isn't as much of the industry left after the mid '80s, really. We couldn't add capacity fast enough. I am still stunned that I did hear a lumber broker say, "This is not a supply side problem. They would have solved it at \$700." And we would've, I mean, we were astonished at \$700. I sell an off grade, unstamped, no claim, left over piece of lumber that we sell to pallet manufacturers and wood packagers. I'm getting more for that than I was for on-grade lumber ever before May a year ago. So, there-

Jerry Howard ([08:47](#)):

You mentioned capacity, as I understand it, you run two shifts four days a week. Have you been tempted to add capacity given how hot the market is?

Ross Stock ([08:59](#)):

I run five shifts. I mean, I run five days a week and I do maintenance on the weekends. I run a limited swing shift on my Friday afternoons. There are a number of things that limit capacity. Yes I would, and I am hiring now. I've raised my wages over 10% across the board. Incoming existing employees, I'm hiring in every direction. And I've had limited success finding people.

Ross Stock ([09:27](#)):

There are a number, I certainly would add capacity in terms of adding mechanical capacity or improving my machines towards a higher output, we're doing that. But those projects take months and years. If I were to call a major sawmill line producer today, USNR, Bid Group, Komax PHL, there are a number of groups, you'll be lucky to get bids within a couple of months for the projects that you're talking about. And again, that's if they're shovel-ready, but saw milling has undergone a tremendous amount of consolidation. And like I said, the end product has not seen appreciation for 35 years.

Jerry Howard ([10:17](#)):

Where do you get your lumber from for your company?

Ross Stock ([10:20](#)):

Our logs?

Jerry Howard ([10:21](#)):

Yes, your logs.

Ross Stock ([10:22](#)):

I was like this too, it's just lumber's the square stuff, timber's the round stuff. [crosstalk 00:10:27] And in many ways, well, in many ways, like I say too, timber is really still on the stump. I did hear someone saying, "Well, you know, these mills now, I mean, they're taking orders for lumber that hasn't even been cut." And I'm like, we only take orders for lumber that hasn't been cut. We're, I'm sold out towards August at this point. I mean, my inventories are pretty well-spoken for, and that's if I can perform adequately. [crosstalk 00:10:54] You know-

Jerry Howard ([10:54](#)):

Do you get your logs from private lands or from public lands?

Ross Stock ([10:59](#)):

Both. Although very, very few from public lands at this stage. We, my family has been in this business for three years, or three generations and had three kind of main operations and with a few auxiliary ones as well. And the resources changed obviously, you cut the older stuff and it's gone. And people have moved to a smaller age class of timber for a long, long time. And yet we're still fighting about a lot of that ground as though it's ancient, pristine, reserved forest. And it isn't, but in the state of Oregon, we took a public forest that the Elliot State Forest, that by law was required to be sold. Instead, our governor issued a \$100 million in bonds with another \$100 million in interest and has to come up with another \$170 million to turn it into a research forest.

Ross Stock ([11:57](#)):

Well, I know of about three or four mills that were in that area and they're gone. They couldn't fire up today if they wanted to, 'cause they're not there anymore. Private timber is the largest source in the Northwest and it's large commercial timber farms. And it's really interesting how the industry gets characterized when most of that timber is owned by institutional investors. It's owned by just off the top of my it's the Southern Illinois Librarians Association. It's the scholarship fund of Sheboygan lacrosse. These are institutional investments. Those trees are not owned by sawmills primarily. Weyerhaeuser is not a typical publicly traded company, the way they used to be. They are a real estate investment trust.

They are a timber company. They own timber. They grow timber. That is their business. That is their mission.

Ross Stock ([12:58](#)):

They have mills, their own mills to add value to their timber. So, what you're seeing right now, by the way, that is exceptional, like in the Southeast is that log values in the Northwest are traditionally high, but they have not gone up as fast as lumber. In the Southeast that I hear a lot of issues about stumpage rates being really low because the farm bill 35 years ago encouraged people to plant Southern Yellow Pine over non-cash yielding crops, to try to balance the issues we were having in agriculture in the early '80s, late '70s, early '80s.

Ross Stock ([13:40](#)):

Those trees are ready to be harvested. And I don't mean that they couldn't, any one of them individually grow to be a much larger, more majestic individual specimen of a tree. I'm saying that they were planted to be harvested in 30 or 40 years, and they're having a hard time finding people to do it.

Jerry Howard ([14:02](#)):

Let me ask you a question. You've touched on this a little bit. There's three places that we can get lumber for America's home builders. We can get the logs from public lands, private lands, or we can import it. We have traditionally imported 30% of our lumber from Canada. That's a whole trade dispute issue. That's really, it's important, but I want to focus more on our domestic harvest.

Jerry Howard ([14:32](#)):

Is it your view that we could get enough lumber to make up for what we have to import if we harvested more domestically? Off of sustainably harvested, harvested with environmental concerns in mind, but harvested off of our public lands, and all the private lands.

Ross Stock ([14:50](#)):

I mean there's two questions there, really. The first thing is in the short term, no. In the short term right now, everyone has the logs that they can process. Building new mills will take a long time, and I can tell you why people are going to be hesitant to do that. It's a lot of the same people who had to tear down and sell their mills as the industry was consolidating, and as environmental policy changed.

Ross Stock ([15:16](#)):

I just don't want to represent that the industry is not aware of climate change and that they're not concerned about it. They are, we are, it's our livelihood. It's our homes, in most cases. What we have is confused policy that's highly politicized. And at some point it's not going to be what the sort of monopoly man with a cigar in his mouth, looking at trees, you'd like to cut down for fun and make whatever money he decides.

Ross Stock ([15:50](#)):

It's like that doesn't really exist. The industry is leaner because of what it has been through for the last 30 years. People are specialists. They're specialized. They're not, we don't have a lot of general cutting mills anymore. When we talk about the Canadians, for example, I really kind of feel like the NAHB and politicians really made that to be a more contentious relationship than we ever intended it to be. If we

had had the softwood lumber agreement, there wouldn't be tariffs right now, because the softwood lumber agreement really only kicked tariffs in when the market was completely falling apart. And the idea about that was that it could preserve mills domestically. Those are the mills you don't have right now. Those are the [crosstalk 00:16:40] mills that could be running and they're not.

Jerry Howard ([16:44](#)):

Let me speak up for our members here on this one, NAHB members would prefer to get 100% of our lumber from American domestic producers. There's no end user of lumber or of paper or of wood products of any kind more pro-American than our home builders, because we build, and we don't export. We understand the value of domestic production. We opposed the restrictions, and we still oppose restrictions, particularly on harvesting in private lands. But also some of the restrictions that are on public lands, we think are just absurd. We're completely with you, that our national forests are supposed to be a renewable resource. But we've lost that battle now. How can we work together to reverse that situation?

Ross Stock ([17:37](#)):

I think that there are things happening now that are not reversing that situation. I think by the way, what's left of the lumber wood products industry. But in particular in lumber, we're fairly pragmatic about it. Number one, there's not any, you need Canadian lumber occasionally, we're importing European lumber. You know, there is actually a decent European import market that swells from time to time, particularly into the East Coast. There are people pursuing South American wood. A lot of those are American companies. And if I can back up a little on the Canadian issue. Canadian operators will tell you it's like the bizarro world of our world in lumber producing. Their government's telling them they have a certain amount of wood available and the operators are going, "No, they don't, they're lying. We don't have that much there."

Ross Stock ([18:36](#)):

I mean, they've suffered devastation in that wood basket over the last decade, 15 years, 20 years and we've kind of ignored that over time, but they haven't. Look how many Canadian companies have bought out mills and built new mills in the Southeast United States. That's all a matter of public record. Just go look. You know, [crosstalk 00:18:58] they.

Jerry Howard ([18:59](#)):

There's-

Ross Stock ([18:59](#)):

Yeah, they're.

Jerry Howard ([19:00](#)):

no question that the big producers have assets on both sides of the border.

Ross Stock ([19:05](#)):

Right.

Jerry Howard ([19:05](#)):

Whether it's Canadian companies here in the United States or American companies in Canada.

Ross Stock ([19:10](#)):

Yes, right.

Jerry Howard ([19:11](#)):

And I think those big producers having that advantage is one of the reasons why some of the small producers like yourself have left the industry. Those guys can, we call it the cross border double dip.

Ross Stock ([19:24](#)):

Yes it's, yeah, but it's all, they have a slightly different system. I'm not going to say it's a bad system. There are less people in Canada than there are in California and yet it's a vast, wood basket. And a lot of our, we do business with Canadian companies, Canadian companies do business with us. And like I said, as operators, we have the utmost respect for Canadian saw millers, like I said, a lot of them are now our neighbors in the Southeast and the Northwest. And really there's not much to dispute that we're talking about how, what public timber policy is in their region and our region? How it's different, how freight worked differently at different times and how we can iron out the differences? I actually think, like I said, what we're dealing with now is value price lumber.

Ross Stock ([20:18](#)):

You know, there's this allegory in fuel where you will talk to people that will say, "Well, you know, if we really stop externalizing all the costs." And in fairness, by the way, I did my master's research in sustainability. So I am, and out of that, I was inspired to say "Well, what is it about wood products that's not sustainable when it's done right? How is this not the hope? How is this not the hope for affordable housing?"

Ross Stock ([20:44](#)):

That's why when you go to my website, all it says, and I was a web developer for 15 years, I could do it. I could do more, but I feel like there's only one message. And I wish that the softwood lumber board would start delivering it, because it's a cross-border message as well. That's just, wood is the answer. It is the answer to housing our exploding population, semi sustainably, and still maintaining whatever our carbon goals are.

Ross Stock ([21:12](#)):

You know, it is a complex, complex issue. What isn't that complex is that we don't have any other building products that grow above the Earth's crust. Not really. Bamboo is great, but you're going to use a lot of glue. You know, it is, and there's not much that's going to achieve through sunlight, carbon, soil, and water, a structural member of human scale, any less efficiently and sustainably.

Ross Stock ([21:43](#)):

You know, we continue to believe that whether it's Canadian wood or it's our wood. The population of the earth was under two billion before 1900 and it's sniffing eight billion now. And those people have to live somewhere and we make a product that's grown, derived from a plant, grown from the earth. And I think that part of, like I said, there's this theory about gasoline, that if we included all the externalized

costs that we don't count, the gas would be 15 bucks a gallon, and we'd all be driving electric trucks and they might be right.

Ross Stock ([22:16](#)):

And you also might be having a price of lumber that relates to the same allegory. You know, like I said, and our governor, basically put us in a \$500 million hole over a little piece of timber. And if we're going to preserve it and not use it, then the lumber is going to be more expensive. And I can be honest with you from the Northwest perspective, I could see lumber halved. And I wouldn't be surprised I've seen it halved and I've seen it double lots of times. I've never seen it quadruple. This is exceptional. I have never seen that, but I can also tell you that more than likely what's going to be coming. The Southeast will probably help the Northwest, but in the Northwest the money will just move back to the round wood.

Ross Stock ([23:02](#)):

The people that own the land and own the trees are going to be in control of what the value proposition really is, and if the public isn't going to participate in that through a public timber program, then we're really at the mercy of what they decide the real value is. For better or for worse. But, at some level there are people out there who think this is a good thing, \$1,500 lumber's a good thing because it'll save trees and they might be right.

Jerry Howard ([23:33](#)):

Ross, let me ask you one thing. What one final message would you have as we try to work through this issue and try and build and maintain strong, positive relationships throughout the lumber supply chain. What message do you, would you have?

Ross Stock ([23:50](#)):

That we want a healthy and stable supply chain exactly the way they do. And I'm not complaining about making what we're making on our lumber right now. And that's because I've never, ever, ever, ever, ever seen it and never, ever, ever, ever, ever expected it. What we want is stability. This thing makes me nervous. It is hard to sleep while this is going on. And when I run into other problems, other issues that I have, my byproducts are all down across the board. You know what I mean? The lumber's more than making up for it, but we live in fear of instability every day that we get up to go to work. We want a stable supply chain as well. And like I said, join in the conversation about where, what we're going to build with and where it's going to come from. And I believe that wood is the solution.

Ross Stock ([24:47](#)):

If we have a healthy industry, we will have stability. If we don't have a healthy industry, we won't. We're going to run into these issues time and time again. I want a healthy planet and I want a place for people to live. I think the biggest thing is we want the same thing. And often, I mean, a year ago I was ready to put a poster in my lunchroom that says "The National Association of Home Builders thinks you're lazy and make too much money." I mean, it's at some point we have to understand, we absolutely want the same thing. We don't want it to be \$1,500 unless it's going to stay there. But it's the stability over time that is going to, then you're going to know what it's going to cost when you go to the yard and we're going to know what to pay for logs that I'm not going to get to saw for six months or a couple of years, if I'm buying a public timber sale. You see what I mean?

Jerry Howard ([25:44](#)):

Yes, yes, I do. Ross, we really thank you for your time. This has been very informative, very helpful for our members and we appreciate everything you're doing. We look forward to coming out the end of this situation in a way where both your industry and our industry can be successful, because that's the only way the American public is going to win. Ross, thanks for being with us.

Ross Stock ([26:07](#)):

You're welcome. Thank you. Thank you guys.

Jim Tobin ([26:09](#)):

Thanks Ross.

Jerry Howard ([26:10](#)):

Thanks. Take care Ross.

Ross Stock ([26:12](#)):

Take care.

Jerry Howard ([26:14](#)):

Well, Jim, that was really interesting. You were right. Setting it up by saying that Ross would have a lot of opinions. He certainly has strong opinions on a lot of these issues.

Jim Tobin ([26:23](#)):

Yeah, I mean, look in our last podcast, and now this one, I think it's important for us to hear from the wood products' industry. Especially these small mill owners. You know, we hear about LP and Boise and Weyerhaeuser and the mill industry and the forest products' industry in the U.S. really is made up of real salty Earth people. I think people that our members relate to. Small men and women in a very difficult labor intensive industry cracking [crosstalk 00:26:54]

Jerry Howard ([26:54](#)):

Oh Jim, let's be fair. I'm not sure they're small people. [inaudible 00:26:57]

Jim Tobin ([26:58](#)):

It's true, we only saw Ross on the screen. He could be seven feet tall. In fact, he did have a picture of a large blue ox behind him. But Ross, all joking aside, Ross is great, and a lot of perspective you covered, we covered, actually he covered a lot of ground, and I think I hope our listeners found it as valuable as you and I did.

Jerry Howard ([27:20](#)):

So, we will wait until next week and see-

Jim Tobin ([27:22](#)):

Yeah.

Jerry Howard ([27:22](#)):

This transcript was exported on Dec 24, 2021 - view latest version [here](#).

... what the future brings for us on lumber and [inaudible 00:27:25] any number of other issues. In the meantime, Jim, I hope you and your family have a great Memorial Day weekend.

Jim Tobin ([27:32](#)):

Yup. Yours' too.

Jerry Howard ([27:32](#)):

This is Jerry Howard saying thanks for listening.

Jim Tobin ([27:34](#)):

This is Jim Tobin. Have a great weekend, everybody.