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*Bear Creek Lumber will be closed for the
Independence Day weekend*

Bear Creek Lumber Highlight:

American black cherry finish lumber frames a door and window. FAS grade materials were hand selected for color, grain and character for a custom home in the Methow Valley.

Roger Kleven, Contractor



Cloud and Ela Bannick of Bear Creek Lumber Awarded SBA Regional Business Person of the Year Honor

Family-owned Bear Creek Lumber was awarded the Small Business Administration's Business Person of the Year Award for North Central Washington State in 2003. The award was based on the company's long term commitment to excellence, and its sustained success in the lumber industry. Regional SBA director Coralie Myers presented the award at the monthly Economic Allianace for Okanogan County, held in Omak, WA.



From top left: Cloud Bannick, Ela Bannick, James Witkowski and Omaste Witkowski

The company was nominated for the award by SBA business consultant Lewis Blakeney, who worked with the company on securing financing through the Washington State Trade and Economic Development Department. He said he was impressed by how such a small company can do so much with a small staff, utilizing the latest technology, and a commonsense approach to its marketing and sales.

Bear Creek Lumber, started in 1977, is truly family owned as seen in the picture on the left. Company founders Cloud and Ela Bannick (shown holding the award) are joined on the right by the next generation in the family, Daughter Omaste and her husband James Witkowski, who run the computer administration and freight departments respectively. Son Sage Bannick is part of the newsletter staff while daughter Shena works in the office during the summer. Innovation by this tight knit group has led to a "paperless office" which functions as efficiently as any big city firm. Suppliers and customers come from all over the world, despite the company's location in a remote rural part of the Cascades Mountains.

With an outstanding staff behind them, the Bannicks expect many more years of success. Sales for 2003 are already on a pace to set a record in 2003.

Housing and Hunger

Has the Growth Management Act (GMA) and Endangered Species Act (ESA) caused Washington State hunger levels to increase?

It seems researchers are baffled by the findings of a national report making Washington State 2nd in the nation for hunger even though the state boasts a lower than average poverty rate. (Associated Press, 8-16-02)

But food bank workers register little surprise at the report, saying "The combination of rural isolation and high cost of living is fueling the problem." Linda Nageotte, president and CEO of Food Lifeline, said "Food becomes an optional item as the cost of living speeds past wages."

According to the study, "many Washington counties haven't found ways to replace logging, mining or fishing that once supplied living-wage jobs." These 'living-wage jobs' were destroyed by implementation of environmental regulations, such as the Growth and Management Act (GMA) and Endangered Species Act (ESA)..

For years the statewide builders association has warned state legislators of the unintended consequences, and costs of excessive regulations. As recently as June 2002, the Building Insight newsletter reported median household income in Washington State lags woefully behind rising median home prices. As a result, more people are forced to choose between food or shelter.

Since the 1980's when these two pieces of legislation were enacted, Washington State has gone from one of the nation's strongest economies to one with the 2nd highest unemployment in the US. Oregon, which is experiencing even higher unemployment, also has enacted similar laws, and seen their agricultural and timber based jobs disappear. During the Great Depression, both Oregon and Washington had some of the healthiest economies within the US because of their diversified employment base. Rural counties within the Northwest are experiencing 12-15% unemployment that started in the 1990's.

Letters

Dear Mark @Bear Creek Lumber

I want to thank you guys for the excellent quality of the T&G Fir flooring. You packaged it good, there was no damage, it went down good, and turned out better than I expected.

I thought at first it was bit spendy... but in the past I've discovered all the good stuff I've gotten I've paid too much for.

Thank you again for a conscientious selection of boards and shipment.

Paul Vos
Hope, AK



U.S., Canada sparring over bug timber cost

The massive mountain pine beetle outbreak in the Interior British Columbia has resulted in cheaper raw material, but industry and government say the battle

against the beetle has not significantly affected log or lumber markets.

"There are no beneficiaries here," one industry representative said.

There is a perception in the U.S. that Interior sawmills are getting a timber windfall. The Coalition for Fair Lumber Imports accuses the B.C. government of "flooding the market with bug-killed timber at a tiny fraction of value." The Coalition has requested that the U.S. Department of Commerce investigate B.C.'s stumpage methods and "offset any unfair trade with increased duties."

The province has increased the allowable cut in the affected areas. Sources say logs are more available and prices on the open market have come down. But B.C. industry and government sources are quick to emphasize three points. First, the harvest volume for the entire Interior through 11 months this year was 2% below last year's level, and slightly higher than the five-year average. Second, the pricing system has not changed. Third, the harvesting forces on green timber or infested trees that are priced at the standard rate for green timber. Observers will notice that while Interior year-to-date harvest data show a slight decline for the year, production is up 7.2%. B.C. officials explain the contradiction this way: Some of the least efficient mills in the Interior have closed, while the more efficient producers are getting higher yields from fewer logs..

Also, mills have carried large 2001 log inventories in to 2002.

The outbreak covers an area roughly 1,100 miles long and 600 miles wide. Beetles fly in late summer through early fall and lay eggs under the bark of Lodgepole Pine trees. Only sub-zero temperatures will kill the larvae. The province intends to harvest recently infested areas while the larvae remain under the bark, using the milling process to kill the bugs.

This strategy is raising concerns in the U.S. The Coalition alleges that the Forest Ministry is reducing logging costs "without commensurate increases in timber fees (and) refusing to enforce existing requirements on timber allocation."

The province counters that it has not changed its system, nor is it allocating money to subsidize logging. "We are not providing an incentive to harvest," an official said. However, he said, the ministry is employing existing methods of adjusting stumpage prices based on harvesting cost. While more timber is available to cut in the infested area, much of the increase in allowable cut is going unused, Canadian sources say.

Primary manufacturers in the region admit that log costs are falling, and that logs are readily available. But they say these logs are more expensive to process, due to variations in moisture content and quality. Additionally, blue stain reduces product value, particularly in J-grade output and chips.

Editor's note: Blue stain pine is available as a paneling at Bear Creek Lumber. Many people find it an attractive natural feature because of the added color it gives to the wood. To see blue stain, visit our website www.bearcreeklumber.com

Industry News



Second Homes A Popular Investment

New statistical research indicates that second home investments are on the upswing, especially among homeowners who see them as a higher-yielding bet than mutual funds, or certificates of deposit at 2 percent.

Second home purchases aimed primarily at investment -- rather than the more traditional seasonal getaway uses -- have nearly doubled in the past three years alone, according to a new study by the National Association of Realtors in collaboration with EscapeHomes.com. Whereas just 20 percent of all second home purchases in 1999 were intended primarily to generate investment returns, 37 percent of purchasers in 2002 identified profit as their top objective.

Who are these new, investment-minded buyers? According to the realty association's national statistical sample of buyers, they represent the leading edge of a generational tidal wave of baby boomers, looking ahead to retirement and dissatisfied with alternative returns from their capital.

The typical second home buyer is 56 years old, married with no children under 18 years old at home, and is part of what economists term the mass affluent: average household income was \$92,000 in 2002. This demographic wave is nowhere near cresting. Enough boomers will enter their mid-50s, the prime second home investment years, during the next 10 years alone to support construction of up to 150,000 new vacation homes a year, according to the realty association.

Resale values of second homes tend to be far more volatile than primary homes, especially in the upper price brackets. Second homes are discretionary investments, and they are like the proverbial canaries in the mine shaft: When a regional or the national economy gets sick, second home values suffer earlier and more dramatically.

While interest rates remain low and the stock market returns are uncertain, it is likely that investors will continue to seek a safe haven for their money in the growing second home market.

Builder Confidence Rises in May; Expectations Back Up to Speed

Builder confidence in the market for new single-family homes rallied in May as a further downshift in mortgage interest rates and improving consumer confidence considerably brightened the outlook for future sales activity, the National Association of Home Builders (NAHB) recently reported. NAHB's Housing Market Index (HMI), a monthly gauge of builder sentiment, rose four points to 56 in May, regaining much of the ground it lost earlier this year due to poor weather, war and economic jitters.

"The spring home buying season is under way, and builders are encouraged by the strong demand they are seeing," said Kent Conine, NAHB president and a home builder from Dallas. "The continuing appeal of the lowest mortgage rates in decades and strong home price appreciation, on top of the successful outcome in Iraq, has prompted many people to go forward with a home purchase who may have postponed that decision in previous months."

"The latest measures of consumer confidence have shown considerable improvement, and this is good news for home builders," added NAHB Chief Economist David Seiders. "While concerns about availability and cost of lots for development continue in many markets, builders are solidly optimistic about being able to sell homes that are getting built. Expectations for sales in the next six months are back up to speed with their level at the beginning of the year."

The HMI is derived from a monthly survey of builders that NAHB has been conducting for nearly 20 years. Home builders are asked to rate current sales of single-family homes, and sales expectations for the next six months as "good," "fair" or "poor." They are also asked to rate traffic of prospective buyers as either "high to very high," "average" or "low to very low." Scores for responses to each component are used to calculate a seasonally adjusted index, where any number over 50 indicates that more builders view sales conditions as good than poor.

All three component indexes gained substantially in May. The index gauging current sales of new single-family homes rose four points to 61, while the index gauging sales expectations for the next six months and the index gauging traffic of prospective buyers each rose six points to 68 and 41, respectively.

"Builders are on track for a very healthy year in 2003 as the market for new single-family homes continues to exhibit stability and strength," said NAHB's Seiders. "We are now forecasting that new-home sales and starts in this category will be essentially on par with last year's solid numbers."

ABOUT NAHB: The National Association of Home Builders is a Washington-based trade association representing more than 205,000 members involved in home building, remodeling, multifamily construction, property management, subcontracting, design, housing finance, building product manufacturing and other aspects of residential and light commercial construction. Known as "the voice of the housing industry," NAHB is affiliated with more than 800 state and local home builders associations around the country. NAHB's builder members will construct about 80 percent of the more than 1.6 million new housing units projected for 2003, making housing one of the largest engines of economic growth in the country.



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