



Regional Forest Economy Market Assessment

April 2021

Pulp & Paper

- COVID-19 related school and office closings have created further declines in an already weakened market for writing and printing papers. This has resulted in some mills shifting production from coated papers to packaging papers, which use much less hardwood fiber and more softwood fiber content.
- The digester explosion at the Pixelle plant in Jay, ME continues to have repercussions. The loss of roughly 2 million tons of pulping capacity in the region has resulted in a severe reduction in overall fiber demand.
- Sawmill residues which were going to Jay are now making-up a majority of the softwood feedstock for the remaining mills, having a negative effect on the demand for softwood pulp.
- Mills in the region have ample inventories of hardwood pulp resulting in less demand for that product as well.
- There is hope that as schools return to in-person learning and work-at-home orders are rescinded that demand for coated writing and printing papers will improve.

Biomass

- Closure of the NH biomass plants as well as the Pixelle plant explosion and subsequent decision not to rebuild the pulp mill have also contributed to an oversupply of biomass fuel across the region.
- VT Senate Bill, S.1 [*An act relating to extending the baseload renewable power portfolio requirement*](#), was voted out of the Senate and is now in the House's Energy and Technology Committee. The current version of the bill extends the company's power contract through 2024 and requires the owners to explore opportunities for capturing and using the waste heat the plant produces. Additional modifications are under consideration in the Energy and Technology Committee.
- The Burlington Electric McNeil Station continues to investigate utilizing a portion of the heat generated by the plant to provide heat to the UVM Medical Center. A district energy system of this type would reportedly reduce fossil fuel use in the city and improve the efficiency of the plant. The project partners are moving to the second phase of the project which will involve detailed engineering and economic analysis.

Firewood

- Firewood dealers report strong sales. In some cases, demand through the winter and spring has been strong enough to keep dealers from building inventory for late summer and fall deliveries.
- Anecdotally, it appears that demand has increased as a result of stay-at-home orders and migration of people from urban to rural areas like Vermont. One producer also noted that there appears to be new demand due to significant growth in the use of backyard firepits in some parts of the region.

Softwood Logs & Lumber

- Softwood lumber markets and prices remain very strong. [Paul Jannke of Forest Economic Advisors](#) is reporting that softwood structural lumber prices have reached record highs and are not likely to drop significantly until the last half of 2021 or early 2022. Further, he expects that 2022 prices will be lower but still above historical averages.
- It appears a lot of loggers, foresters, and landowners concentrated their efforts over the winter on harvesting softwood, at least in part, due to the lack of demand for hardwood pulp. Most spruce/fir mills throughout the region reportedly have adequate log inventory to carry through mud season.
- A combination of factors has led to increased demand for softwood structural lumber including housing starts and renovation activity related to the COVID-19 pandemic, coupled with low mortgage interest rates and available cash from stimulus payments. Lumber has also been in short supply across North America, primarily because of mill curtailments and shutdowns, combined with reduced orders by wholesalers and retailers, early in 2020. The combination of supply factors resulted in reduced inventory throughout the supply chain creating a void which the mills have yet to be able to fill.
- Trucking capacity and availability are delaying shipments and increasing cost across all industry segments.

Hardwood Logs & Lumber

- Lumber demand and prices were low during the early days of the pandemic, in part due to shutdowns by secondary manufacturers, especially in Canada. As a result, mills cut back on production reducing the inventory in the supply chain. When pandemic spending and home renovations kicked-in, lumber was in short supply and prices rose.
- Lack of hardwood log supply further constrained lumber supply early in the winter. Weather conditions were less than ideal until after the first of the year and the difficulty in moving hardwood pulp may have kept some crews on softwood jobs.
- Log and lumber export markets have come back following early pandemic shutdowns in China. Domestic markets have also been strong, especially those tied to construction, such as flooring, cabinets and millwork.
- Lumber prices have been good and increasing across all species. Mills are anticipating strong lumber markets through at least mid-summer.
- Hardwood logs are still in short supply in many areas across New England and Quebec.