

Granite State Division, SAF Winter Meeting
Bartlett, NH Feb 10, 2017

Low Grade Wood Markets: How Did We Get Here?

Lloyd C. Irland
The Irland Group
Wayne, ME 04284



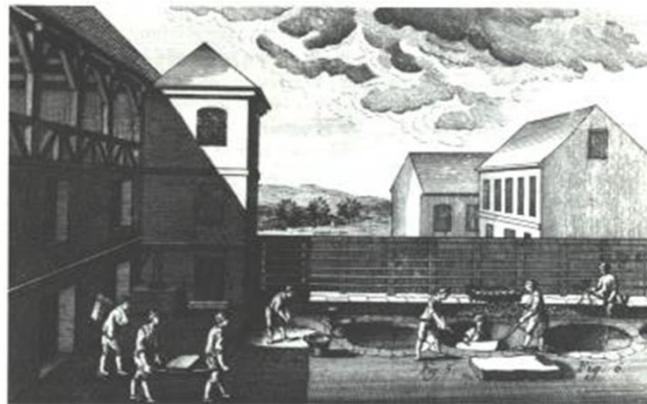
Approach

- Low Grade: Anything below sawlogs
 - But that's been a moving target
- Will focus on themes rather than charts
- Try not to trespass on the energy side
- What to Do?

Question:

What is the most discussed underutilized Species in Maine right now?

Things we once Made with Wood – Nostalgia time!



De-industrialization

- Pallets a key industry
- Region's de-industrialization
- Imports come in on Pallets!
- Pallet recycling





Paper: A Perfect Storm:

Demise of “C” Corporation

Competition with sawmills for logs

Shift from spruce to hardwood

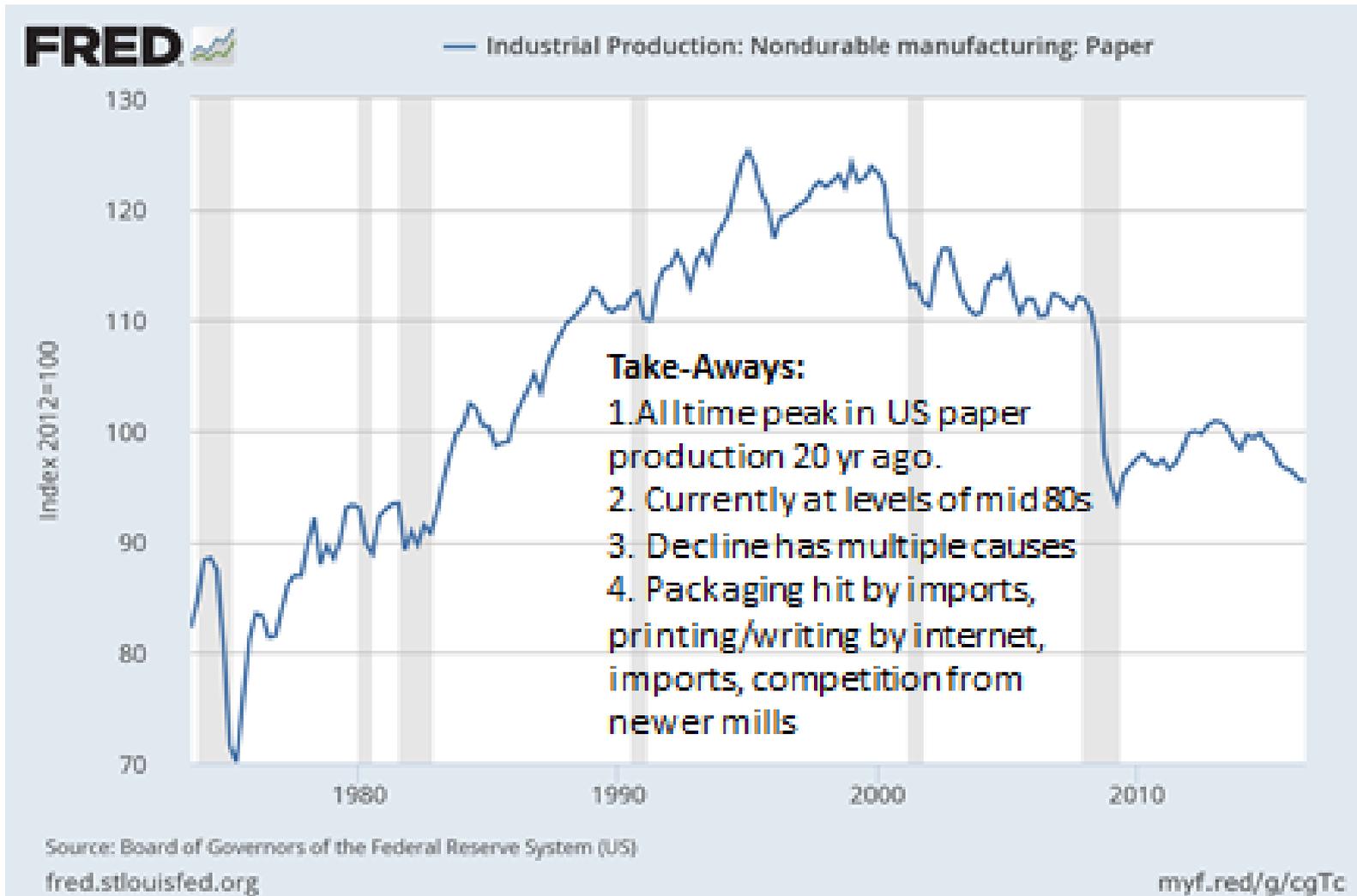


Obsolete locations

Narrow machines

Other regions: South

Irland Group Chart of Week Jan 6 2017 NATIONAL PAPER PRODUCTION



- Lost packaging, then newsprint markets
- Too costly to convert from groundwood to chemical
- Energy costs
 - a) Fuels for drying
 - b) Volatility
 - c) Deregulated electricity markets: opportunity cost of power became too high
- Nationally, industry overdeveloped; tendency toward gigantism
- Recycling reduced demand for virgin fiber
- Internet annexed much of P&W market

Plus: Import Competition



The “Death Star” Pulp Mills

One Wood Product Displaced by another One

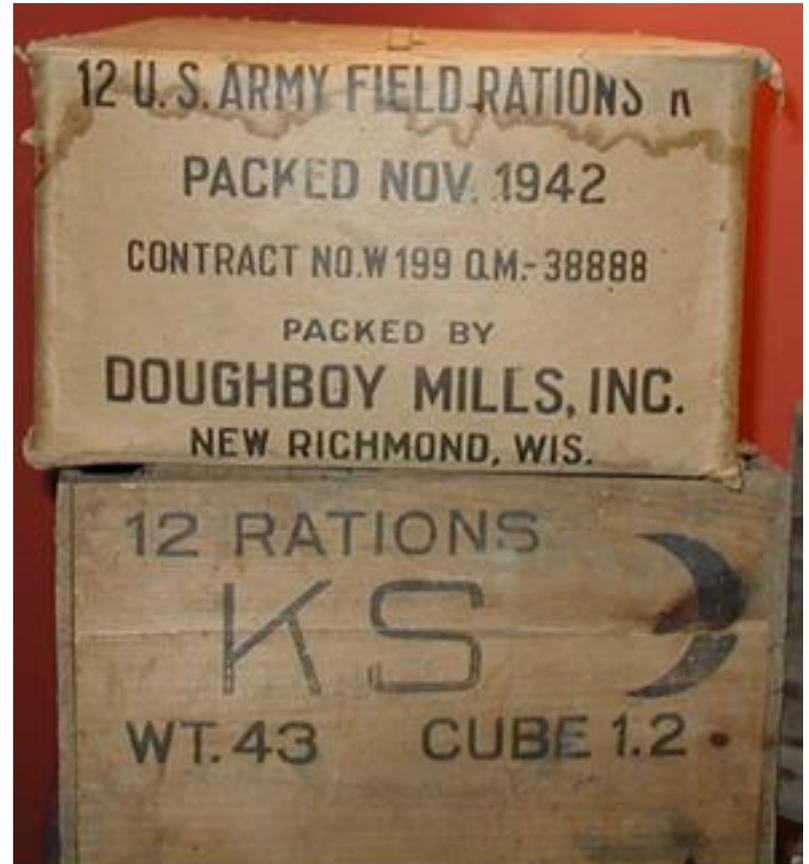
Sometimes this **improved** markets for Low
Grade/unused Species

Plywood displaces low grade boards for
sheathing

OSB in Lake States and Northeast

Particleboard and MDF to furniture trade

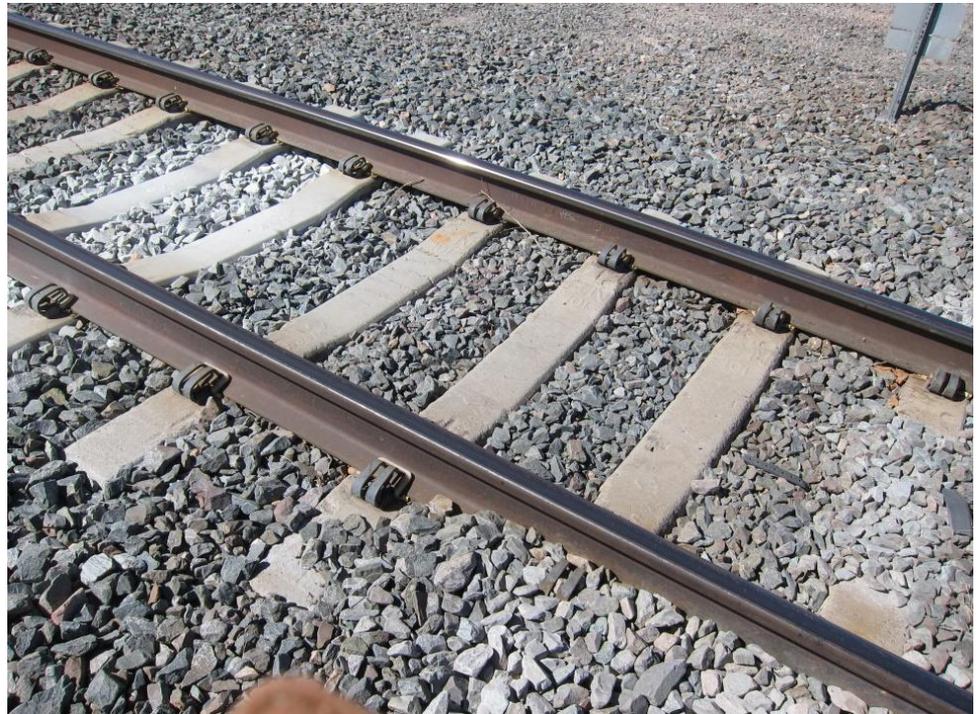
Kraft board displaced the old boxes and crates



Non Wood Products With Advantages



- Installed Cost
- Performance
- Durability
 - Recycled Old News or OCC
 - “Plastic Lumber”
 - Concrete RR ties



Imports Displace Domestic Sources

- Studs
- Furniture
- Pallets –
 - made where the products are made
- Paper – Stories vary by grades
- Boxes from China– Board from exported US newsprint!

Advantages Become Liabilities

- **Water Power:** advantage
- of 1890s,
 - Liability of the 00s
- **Spruce- fir** long fiber
 - Glut goes to Shortage
 - Hardwood takes over
- **Proximity to P&W and News markets**
 - Deindustrialization, relocations to South, West
- **Close to Wall St** –Now ownership Globalized



Log Driving? What's that?



GNP Photo

Changing Economy/Society

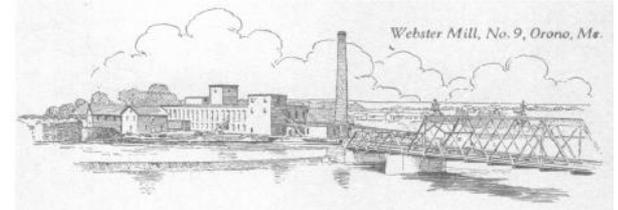
- Collapse of heating with solid wood
- Shrinkage of agriculture – lost market for locally sawn posts, timbers, material for rough structures.
- Loss of Railroad mileage -- ties



What to Do

- **Our tools are all rusty**
- Can't educate our way out
- Can't protectionism our way out
- Can't research our way out
- Can't "Small business loan" our way out
- Or industrial park our way out....
 - Short answer is, I don't know!

Key Points



- Being the “Culture Hearth” can freeze you into
Locations, technologies, machinery
- Other wood products often took our markets
- Nonwoods offered performance, cost advantages
- Imports – important in many lines
- E-Communication and commerce vaporized entire markets for paper
- Good things can hurt: Recycling

Oh -- the Answer to my question: Spruce-fir Pulpwood!



Thanks for your kind attention....