



Regional Forest Product Market Assessment

June 2020

In early June, the Department of Forests, Parks and Recreation (FPR) surveyed purchasers of forest products in the region to update our April regional market assessment. FPR asked respondents questions about the volume they plan to purchase from Vermont suppliers, the price paid for it, and factors influencing it.

Overall, the nationwide closure of offices, schools, and institutions has reduced, or completely halted, the use of printed media and other paper products, having a significant negative effect on most paper producers, which has manifested itself in reduced pulpwood purchases and/or the price paid for pulpwood. Paper for packaging and other uses is helping to maintain production at some papermills. Some sawmills are experiencing strong demand, while for others, demand has been reduced. The individual situation depends on the product and business status of the end users and in some instances the answers received were conflicting for the same sectors. For some enterprises that manage our diverse forests and provide raw materials to the supply chain, the combination of market changes has resulted in reduced production or idled forestry operations, while some operations are able to assemble just the right mix of markets and tracts to harvest to keep operating, albeit at reduced profitability.

With many uncertainties on the horizon, FPR again urges those engaged in the forest economy supply chain to take advantage of business coaching services offered by the Vermont Housing and Conservation Board's [Farm and Forest Viability Program](#) to assist with informed business decision making. With the passage of S.351, \$5 million has been appropriated to the Vermont Agency of Natural Resources to develop the Forest Economy Stabilization Grant Program to provide relief to forest products businesses negatively affected by the COVID-19 pandemic. See our [website](#) for more information and stay tuned for further announcements on this program.

Pulp & Paper

- Both the volume of materials purchased from Vermont suppliers and the price paid are expected to decrease.
 - Over-supply of product, changing consumer demand, and competition from alternative products were all cited as reasons behind the predictions.
- Depending on the finished product at these facilities, demand is expected to remain stable or decrease.
 - Shifting product demand and an oversupply of some products were the most common reasons noted.
 - Schools, offices, institutional closures, less printed media, and other factors are reducing the demand for printing paper.

Wood-Fired Electric

- Respondents indicated that the volume of raw material purchases would likely stay the same or increase somewhat.
 - Oversupply of product available and electricity price were given as reasons behind this position.
 - Loss of pulpwood markets has changed utilization choices at some logging operations that also have chipping capability and has redirected some sawmill residue away from papermills, which are both resulting in oversupply at some biomass electric facilities, depending on their location.
- Prices paid to suppliers are expected to stay the same or decrease somewhat
 - Oversupply of product, electricity price and competition were cited as primary factors influencing expectations.
- Predictions of demand for wood-fired electricity varied widely from increase somewhat to decrease significantly.
 - Reasons cited most were electricity price and oversupply of product available.

Firewood Processors

- Volume of raw material purchases are expected to increase
 - Increases in purchases are expected to be driven by COVID-19 orders but tempered by the availability of working capital.
- Pricing to raw material suppliers is expected to stay the same or increase.
 - Increases are expected to be driven by lack of available raw materials.
- In general, firewood demand is expected to increase.
 - Consumer demand or changing preferences, insufficient product available in the marketplace and out-of-state sales were noted as reasons.

Hardwood Sawmills

- 75% of respondents are not currently purchasing logs or expect to purchase less volume in coming months
 - Reduced availability of raw materials (logs) were the most frequently cited reasons
 - Logging contractors that have fewer markets for high volumes of low-grade wood are subsequently harvesting lower volumes of sawlogs.
- 75% of respondents expect prices paid to loggers to decrease
 - Respondents cited reduced demand from markets
- 80% of respondents are anticipating reduced demand for hardwood lumber
 - An oversupply of product on the market and reduced secondary manufacturer/end user demands were frequently cited as reasons

Log Concentration Yards/Brokers

- Volume of raw materials purchased was expected to stay the same or decrease somewhat.
 - COVID-19 related orders was the most commonly given reason for this view
- With respect to prices paid to suppliers, purchasers agreed that prices paid were likely to decrease to some degree.
 - Declining sales and orders for product as a result of COVID-19 related issues was the most common reason given for price decreases as well. Additional reasons included oversupply of product available in the marketplace, reduced housing starts and renovations and reduced demand from secondary manufacturers and consumers.
- 2/3 of respondents expect demand for product to increase somewhat while the remaining 1/3 expect significant decreases in demand.
 - Secondary manufacturer/end-user demand, housing starts (primarily influencing softwood logs), and COVID-19 related orders were cited equally as reasons

White Pine Sawmills

- Volume of raw material purchases is expected to remain stable.
 - Raw material availability and reduced tariffs or duties on lumber going overseas were cited as reasons.
- Price paid to loggers for raw material purchases is expected to stay the same.
 - Here again, raw material availability and tariffs were cited as influencing expectations.
- White pine board demand has been a bright spot for a number of white pine sawmills. Respondents expect that demand for products will remain strong.
 - Export demand was most often cited as a reason, but housing starts/renovations and secondary or end use demand were also indicated on the positive side. Reasons buffering the prediction included raw material and labor availability.