Northeastern Region

**Issues & Trends**

**Markets**

- Markets across the region are stronger and more stable than they have been in years, but uncertainty remains. For pulp mills, there has been both stabilization and capacity expansion, including a mill in Old Town, Maine restarting and providing an important market for softwood. Other pulp and paper mills have made significant investment in new processing capacity, improved wood yards, and efficiency.

- Sawmills and lumber markets have seen wide variation over the past year. Many mills are reinvesting and adding capacity, and at least one new softwood sawmill is under construction. For hardwood markets, uncertainty regarding exports to China of both lumber and logs has caused significant challenges that ripple through the entire supply chain; there are signs that this is now abating given a new trade agreement.

- Biomass for electricity (and, to a lesser extent, heat) is an important market across the Northeast, and historically has represented between a quarter to a third of the total timber harvest in some states. Low wholesale electricity prices, coupled with declining public support payments, have idled some biomass plants and threaten more. Plants in Maine and New York have closed permanently and been torn down, and the forest industry in New Hampshire lost a battle with the state’s largest utility to get contracts that would have supported the operations of five biomass plants – representing a market for nearly a million tons of low-grade. Most of those plants are now idle, and some are not expected to ever reopen. There is significant concern across the region about what further loss of this market might mean for the economic health of logging contractors, as well as the ability of landowners to thin regenerating softwood stands.

- New markets are on the horizon, with new wood-based insulation and biofuel projects announced, and more on the way. For biofuels, challenges exist regarding what wood is eligible for participation in the federal Renewable Fuel Standard; addressing this issue is critical to a commercial-scale plant getting built in the Northeast.

**Logging and Trucking Capacity**

- Trucking capacity is the single largest constraint on the industry supply chain in the region. The shortage of drivers has been exacerbated by increasing insurance costs and efficiency losses as a result of federally mandated ELDs for some trucking. The region is seeing a growth of log yards and increasing importance of logistics as all parts of the supply chain struggle with constrained trucking capacity.

- As markets rebound, particularly in Maine, there is increasing concern about logging capacity. The logging workforce is aging, and an influx of new loggers is necessary if capacity is to grow to meet emerging demand. Finding, training and capitalizing the next generation of the logging workforce remains one of the most significant challenges facing the region. Hands-on training programs for new loggers in Maine and New York have seen success and are introducing new entrants to the industry. With efficiency becoming more and more important to every aspect of the supply chain and in all operations, quality equipment operators, truck drivers, foremen, and mechanics are perhaps more important now than ever before. Many loggers report difficulty competing for quality labor with other industries needing equipment operators that are offering higher pay, better benefits and more job security.

**Bugs**

- The spruce budworm infestation in nearby Quebec and New Brunswick has reached serious levels but has not yet had a significant impact on U.S. timberland. We expect to see damage affecting our spruce/fir forests in the coming years, but exactly when is increasingly unclear. In addition, the emerald ash borer is having an impact
in the western and central parts of the Region as it continues to spread. Hemlock Wooly Adelgid and Spotted Lanternfly are also in the region and expected to spread. A Gypsy Moth outbreak in Southern New England, which impacted tens of thousands of acres, appears to be ending.