Current Status of Paper and Pulp Mills and Impacts to Non-Saw Material

Chips are one of the primary products produced from non-saw material such as small logs and biomass. Consequently, there is a direct correlation between chip demand and non-saw/biomass demand. ***The economic viability of moving non-saw and biomass material is largely a function of the chip market***.

It is important to note that chips are also produced from the residual byproduct of large material (saw-logs) manufactured at sawmills and veneer plants. The chips sourced from sawmills are typically cheaper than those sourced from whole log chipping facilities or biomass because sawmills need to dispose of their daily production of chips. Whole log chipping and biomass, on the other hand, are often used to fill in the gaps for chip demand. ***As overall demand for chips decreases, the decreased demand for non-saw and biomass material is felt immediately***.

Pulp and paper mills in the Pacific Northwest have been on the decline in recent years due to reduced societal demands for paper products. Declining demand, exacerbated during slow-downs (e.g. COVID19), has resulted in pulp and paper facility closures and curtailments across the region. ***These closures have reduced demand for chips in the region and complicated the ability to effectively utilize non-saw material and biomass in an economically viable manner.***

Below is a snapshot of Northwest Paper mills and the impacts felt by the decline in paper demand.

1. Ponderay Newsprint—Usk, Washington—Permanently closed in July
    a. Usage 350,000 Bone Dry Tons (BDT)—whole log chips 125,000 BDT

2. Inland Empire Paper—Spokane, Washington
    a. Running 3 days per week down from 24/7. They don’t use any whole log chips

3. Clearwater Paper—Lewiston, Idaho—Running at 85% capacity
    a. Usage 850,000 BDT-40% whole log chip
    b. They have been able to pick up some of the slack from the Usk closure, but only for chips from sawmills.

4. Packaging Corporation of America—Wallula, Washington—Running at 85% capacity
    a. 35% whole log chips—they have a chipper on site and buy heavily from Willis Enterprises.

5. West Rock—Longview, Washington—Running at 75% capacity

    a. 40-50% whole log chips

6. Weyerhaeuser Paper Mills—Can't use all of the existing chips created by their sawmills and they are stock piling chips at their sawmills and whole log chipping curtailing.

7. Roseburg Export Chip Facility—North Bend
    a. They are physically plugged with chips and can't accept more. Real crunch in SW Oregon

8. Quicksilver—LaPine
    a. Not currently running their whole-log chip facility

9. Blue Mountain Lumber—Boardman
    a. Port of Morrow out of Boardman is shut down for chips

Given this situation, federal agencies should carefully consider how contracts are structured to provide maximum flexibility regarding the removal of non-saw material. In some cases, disposal of non-saw material may need to be limited to piling and burning at the landing rather than hauling and utilizing. This option may not be ideal, but it will at least meet the Forest Service's desired conditions for hazardous fuels reduction in a more economically viable manner. Careful consideration should also be given when developing appraisals for sales that include non-saw material to ensure that the presumed value of that material and cost of delivering it accurately reflects the market condition. In most situations, removal of non-saw material comes at a cost to the purchaser; but it is critical to accurately assess this cost to properly identify deficit sales prior to auction. Flexibility and creativity will be crucial to meeting the agencies mission and forest health goals, while also being responsive to existing markets and their customer's needs.