
IT IS TIME TO WORRY ABOUT THE LOGGING SECTOR

OPINION BY ERIC KINGSLEY

Over the past few months, I have had the opportunity to speak with dozens of loggers across the Northeast, and I am worried by what I am hearing. Almost universally, loggers are expressing concerns about their economic health, and wondering what their futures will bring.

As is obvious to anyone in the forest industry, loggers and truckers are the link in the supply chain that connects the woods to the mill. For anything to get from the woods to the consumer, the industry relies on loggers and truckers. If loggers aren't healthy, it's hard for any other sectors to be healthy for very long.

What's behind this? There are certainly some reasons specific to the Northeast – such as particular market dynamics or weather – but much of what I heard is impacting the logging sector nationally. Trucking challenges, labor shortages and inflation were each mentioned, and combined are taking a serious toll on the people that harvest and move wood.

Let's start with inflation. A recent survey from the Professional Logging Contractors of Maine says that inflation is hitting loggers hard – and that they are paying 24% more for key supplies than they were in 2020. This was a survey, not a detailed analysis, so I won't vouch for the exact number, but...this seems right. As noted in a MaineBiz article about the logger inflation: "Price increases ranged from 17% more for equipment and truck insurance to a 30% premium for lubricants and film. The inflation far exceeds the average 8.4% rise in costs for American consumers over the same period."

Many of the loggers I spoke with expressed this in less numeric terms. Basic parts aren't available from local suppliers, and something as simple as a broken plexiglass windshield can idle a machine for weeks while waiting on a part to arrive. Diesel Exhaust Fluid is hard to find, and costs more. Insurance is up, often significantly. Diesel is over \$6.00 a gallon in many places, up from a little under \$3.00 a gallon a year ago. None of this makes harvesting and trucking wood any cheaper.

Looking at recent federal statistics, there's no reason to expect a near-term decrease in inflation. These cost increases are real, and while inflation will go down at some point, the price increases loggers have seen for many products are likely to be permanent. For loggers to keep operating, their customers (mills, and sometimes landowners) are going to have to find a way to share in these increases, and ultimately these costs will

need to find their way to the end-use consumer (the homebuilder purchasing lumber or the magazine publisher buying paper).

A number of mills told me about how they have adjusted pricing for diesel, and in my view that's necessary. It's important to remember that diesel isn't just used to get from the woods to the mill; it powers everything in the woods as well. Are mills adjusting for the in-woods operations (which they need), or just the highly visible trucking? And while the diesel adjustments are appreciated by suppliers, these don't account for the increased cost of labor, parts, insurance, and everything else.

For trucking, one supplier told me that he has four drivers working for him, and the youngest is 70 years old. Yes, you read that correctly. While this may be an outlier, any look at our trucking workforce shows that it needs an infusion of new drivers – there aren't currently enough people to drive from the woods to the mill, and the demographics don't suggest this will get better on its own.

Getting wood from the landing to the mill is the biggest bottleneck in the forest industry right now, and we've seen mills resort to owning their own trucking fleet just to make sure they get their raw material. For a long time getting wood from the landing to the market has been primarily the responsibility of loggers – either with their own trucking or with independent drivers. I expect that will continue to be the norm for years to come, but for many mills it can't be the only system that's relied upon. One pulp mill in Eastern Canada recently told me that they have all of the wood they need in remote yards, but are extremely worried that they won't be able to get enough trucks to move it to the mill before they run out. A mill running out of wood because they can't truck wood they already own is unimaginable, but it's a very real possibility.

Of course, trucking isn't just a logging issue. Every industry needs truckers, and the American Trucking Association estimates that the country needs 80,000 new drivers to meet current and pending job openings. For perspective, that's more people than the entire population of Portland, Maine.

On the labor side, loggers can't find enough people to work in the woods. Of course, this isn't specific to loggers. I hear this from mills, I hear this from forestry firms, and I hear it from my grocery store. There are likely multiple reasons for this labor shortage, but it is undeniable that there aren't enough people in or entering the workforce, and that this problem is heightened in rural areas.

The demographics of the logging workforce aren't great, and that's starting to be relevant. A recent study concluded that over 60% of loggers in Maine were over 45 years old, and 11% are over 65. Loggers – as a group – have been getting older my entire 25-plus year career in the forest industry, but we're now at a point where we need to think seriously about recruiting new people into the industry. There are excellent training programs in New York at Paul Smiths College and in Maine through Northern Maine Community College. These are great, but are they enough?

All of this has been on the horizon for years, if not decades. However, many of the issues were far enough in the future that there was no incentive to worry about a problem that was years

away. The timeline has shrunk. In my conversations with mills around the region, I am hearing consistently that they don't have the volume of logs or pulpwood they would like to, and have serious concerns about whether the loggers they rely on are healthy, whether they will all come back from mud season, and if there is enough capacity to keep all of the mills full of wood.

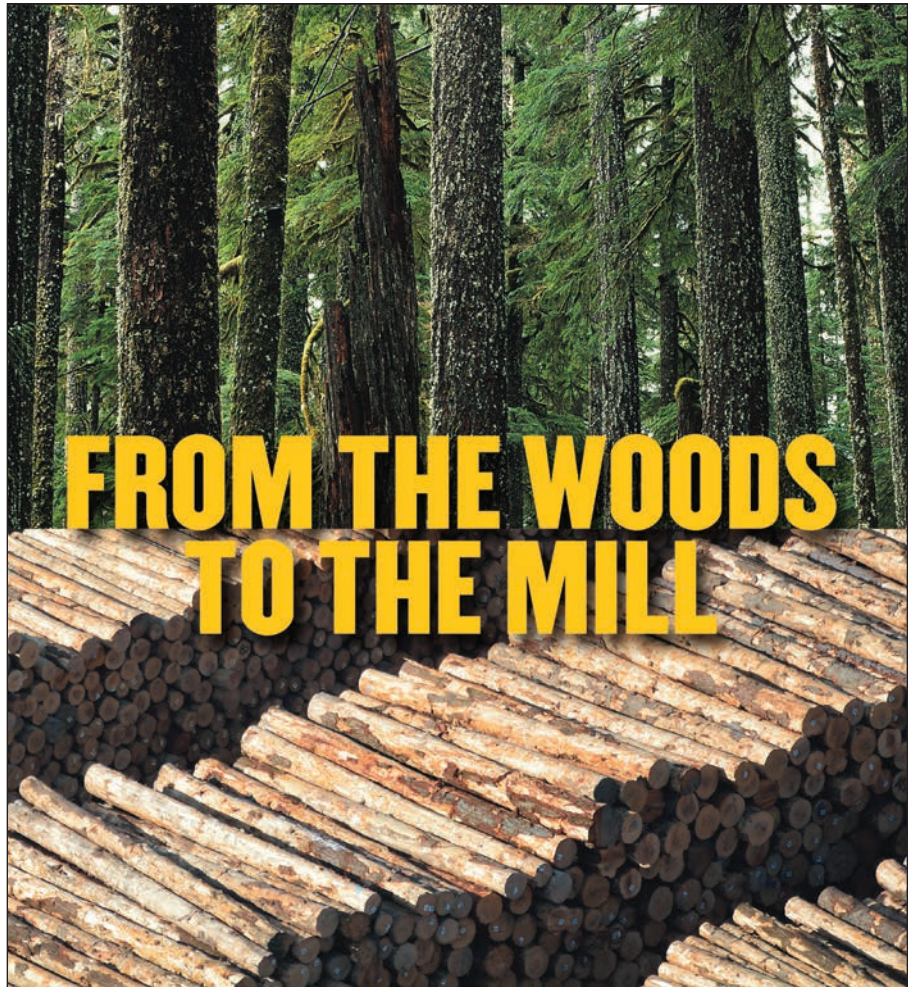
Of course, in conversations with folks many tell me something along the lines of "Don't worry, the market will solve this". Unfortunately, that's exactly what I am worried about. When people talk about the market fixing logging capacity, they mean that as the supply of loggers shrinks, wages (or equivalent) will rise, attracting more people into the profession. Problem solved. As an economist, I can tell you that is one way they market could solve the problem, but far from the only way. Other ways have landowners waiting to get timber cut, mills running out of wood, and efforts to attract new industries to the region collapsing. That's potentially devastating for our forests, our rural economy, and the communities that host forest industries.

Now is the time to start focusing on this very real challenge. The forest industry is essentially a three-legged stool, with landowners, loggers and mills all relying upon one another in what amounts to competitive symbiosis – each sector needs the others in order to operate, but each sector looks out primarily for their own interests. That's natural, but perhaps unhealthy and unsustainable. We know that many sawmills enjoyed record lumber prices over the past two years (though that may be coming to an end). The same is true for mills making panels. The pulp and paper sector is seeing strong demand for some grades, though this varies considerably by mill and by product. Biomass power has been economically challenged for years, but the current rise in energy prices suggests a profitable year ahead. Some landowners have told me about particularly good returns over the past few years, but that is far from universally true, and can vary considerably by geography.

What I don't hear is many loggers telling me they are doing well, looking to expand, and investing in their business. In too many cases, I am hearing about trying to get one more year out of a piece of equipment, idling a crew due to lack of labor, or selling equipment. That should be a huge warning sign for the entire industry.

As with most complex problems, there likely aren't easy answers here. It's unlikely that there is a simple solution, and likely that we'll need multiple strategies deployed in multiple ways to make certain the logging workforce remains healthy. What is clear is that the entire forest products industry relies on loggers in order to operate, and it is in everyone's interest to make sure that wood can get from the woods to the mill.

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