



## Forestry experts warn against following path of Southwest

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By *PERRY BACKUS* of the *Missoulian*

New Mexico State Forester Butch Blazer would like to turn the clock back to a time when there were sawmills scattered across his sprawling state.

Two decades ago, there were close to 15 mills operating in New Mexico.

Then began the debate on how to manage the Mexican spotted owl and federal timber contracts came to a screeching halt. One by one, timber mills around the state started locking their gates and walking away.

Today there are two large sawmills remaining in New Mexico, both on the Mescalero Apache Reservation.

At the same time, Blazer said, forests in his state are reeling from a century of successful fire suppression.

“Our forests in New Mexico are in pretty sad shape,” Blazer said. “The exclusion of fire over the last century has left us with forests that are overstocked. We now have a lot of catch-up to do.”

Part of that catch-up will likely include rebuilding a commercial wood industry, he said.

“It's a big piece of the puzzle for us here,” Blazer said. “It's certainly not going to be easy to do.”

Public land managers around the West often use timber sales to help offset costs of thinning and other forest restoration projects. In New Mexico, officials estimate it costs between \$400 and \$1,200 to treat one acre of forested land.

Costs for that kind of work can climb much higher.

In the San Bernadino National Forest in Southern California, restoration program manager Ben del Villar typically pays anywhere between \$2,000 and \$3,000 an acre for the same kind of work. If it requires a helicopter or skyline setup, costs can soar to \$4,000 an acre.

The fact the closest lumber mill is about 250 miles away helps drive up those costs, del Villar said.

“There are just not that many mills left in the state,” he said. “We're looking for ways to address all this material. There are a few niche businesses cropping up here and there, but that's all.”

“Unfortunately, the loss of mills over the last 15 years has also resulted in a loss of people with the kind of skills to do this work,” he said.

The Southwest isn't alone when it comes to mill closures and the challenge of managing large expanses of forest hit hard by drought, insects and disease.

Montana has seen its share of closures over the past decade, but a pair of University of Montana researchers says the timber industry remains diverse enough to thin forested lands and still make money.

A few years ago, UM forestry professor Carl Fiedler and Chuck Keegan of UM's Bureau of Business and Economic Research worked together to analyze the potential of treating millions of acres in both Montana and New Mexico.

Fiedler identified forest stands in both states that were candidates for thinning because of high fire hazards. He proposed opening up the stands to cut down the potential for fire to spread into the canopy, and thinning out much of the smaller material.

In Montana, Fiedler decided about 7.3 million acres of forested lands should be considered. The figure was about half that in New Mexico.

The plan called for leaving a good range of age structure in each stand and included removing some larger trees, Keegan said.

In a market similar to what the state saw in 2005, Keegan figured on average each acre in Montana would net \$500 after being treated. In New Mexico, under similar market conditions, the proposition would lose \$90 an acre.

Those figures would change dramatically if Montana didn't have a ready market for the material coming off forested lands, Keegan said. Without a market, he estimates it might cost as much as \$1,500 an acre to thin an overcrowded stand.

The calculations in both states were based on the proposition that only enough acres would be treated annually as could be handled by existing mill infrastructure.

Therein lies the crux of the matter.

In the western United States, where the timber industry relies heavily on federal lands, somewhere between 35 and 40 percent of the milling capacity has been lost since the 1990s, Keegan said. Much of that decline occurred as a result of drops in supply from the national forest timber program.

Over that time, Montana has seen about a 40 percent decline.

The most dramatic dips came in the Southwest, especially in Arizona and New Mexico. From 1986 to 2005, Keegan said, New Mexico's milling capacity dropped from 50 million board feet annually to 12 million.

“They lost 76 percent of their industry infrastructure,” he said.

The timber industry in Arizona and New Mexico was close to 80 percent reliant on the national forests for raw materials.

In Montana, companies like Plum Creek Timber Co. owned wide swaths of industrial timberland, which up until now have helped to prop up the state's forest products industry, Keegan said.

“All indications now point to a likely decline in timber coming from those industrial lands,” he said.

So far, Montana has been able to maintain a relatively diverse forest products industry capable of using different products coming off the forest. It's not unusual for loggers to separate logs at a timber sale to be hauled to different mills, each with its own specialty.

That diversity helps keep prices high.

One of the key differences between Montana's timber industry and those in Arizona and New Mexico is the market for the residue left behind after a board is milled, Keegan said.

Montana has Smurfit-Stone Container Corp., the Frenchtown pulp/paper mill that creates a market for material that in places like New Mexico has to be discarded.

“In an integrated industry like Montana's, having a large high-value market for that residue is very important,” Keegan said. “It's a significant difference between the two states.”

The pulp mill likewise depends on sawmills around the state for its supply. If the state were to lose three or four more mills, it could endanger that business as well, Keegan said.

As the timber supply from Montana's industrial lands continues to taper off, there will be more competition for what's left. Unless national forests start doing more large-scale treatments, Keegan said more Montana mills likely will be forced to close.

“There are a lot of mills in the state in a survival mode right now,” he said. “I don't think it's just Plum Creek that's bidding up sales. I think every mill in the West is in that survival kind of mode.”

Mills in Idaho and Wyoming are now competing for sales in Montana.

That's something relatively new, Keegan said. Between 1990 and 2003, Montana mills drew about 10 percent of their timber from other states. Now, the timber is going the other way, he said.

“Idaho mills seem to be more aggressive about moving into Montana,” he said.

On top of that, Keegan said Montana's forest products industry could start seeing production declines in the second half of 2006 and into 2007 due to a weakening U.S. housing industry.

Lumber prices declined slightly in the first quarter of 2006 and sharply in April, May and June in response to reduced housing starts, he said. Prices in June were down more than 20 percent from the year before.

Montana's lumber production in the first half of 2006 was 491 million board feet, down 5 percent from the first half of 2005.

Keegan attributed most of that lowered productivity to the permanent closure of Eureka's Owens and Hurst Lumber Co. in June 2005. Production at the remaining mills stayed the same in the first half of 2006.

U.S. housing starts dropped sharply in July and lumber prices fell further in July and August. Keegan expects the market to stay relatively low in 2007.

Keegan said mills in Montana may see slowdowns, like the recent four-day closure at the Stimson Lumber Co. stud mill in Bonner, in response to the weaker markets.

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