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Eye on the Environment

### **Local Impacts From The Smurfit Stone Container Closure. Can Biomass Utilization Play A Role In Our Region?**

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Many articles about the December Smurfit Stone Container closure in Frenchtown have recently been in the news. In reading the articles I was shaken by the job losses and subsequent ripple effect the closure of this mill will have in Western Montana.

Given Smurfit's connections to other sectors of our economy -- the closure will certainly hit many of the timber mills and contractors that supplied Smurfit's boilers, the truck haulers, service industries, and so many other local businesses.

The pulp mill, able to handle over a million tons per year, was one of the biggest buyers of small trees, slash and mill residues. The immediate job losses at the mill were 417 workers. But some speculate that the number of job losses could elevate to as high as 1,500 when the dust all settles. Some economists refer to these rippling impacts, as multiplier effects.

I step back from this economic jargon and wonder about the people in our community who are being impacted, how this closure affects work on the ground and what other market opportunities might be possible.

Many of the logging contractors and businesses in the Seeley-Swan-Blackfoot that I spoke with concluded that the pulp mill closure will have a huge impact within our region. Hank Goetz, Lands Director for the Blackfoot Challenge, said "The traditional building market has been in the toilet for some time. The pulp market is what kept us hanging on. Our timber infrastructure, loggers, truckers, and others, were making payments and getting by on the pulp market. And now that is gone."

The impact to local loggers is big; there will be less of a revenue stream and more of a waste product handling cost. Many have used their cash reserves, hoping the housing market would turn around. And now the loss of the pulp market is creating a worse scenario.

A larger percentage of the work on the ground, especially in the last year, has been aimed at fuels reduction and forest restoration, especially with the Jump Start program--a federal ARRA assistance program delivering funds to local forest workers for forest restoration and fuels reduction work around Montana. Much of the product from these projects is small non-merchantable timber, primed for the pulp market.

Roger Marshall, stewardship forester for Swan Ecosystem Center, said these and similar grants have helped a lot, defraying the cost for the landowners, and creating more work for contractors. The pulp market helped to pay for the landowner's portion of the cost share grants. As much as 30-70% of the product coming off of

some private projects was pulp, and now, without a solid market, some landowners may forgo this work.

Kvande Anderson, a Swan Valley logging contractor, said that already three projects he had lined up on private property have been put on hold. Another Swan Valley logging contractor, Nathan Richardson, said this closure is hard on everyone in the working class—not just on the logging industry.

“There are a lot of businesses and jobs tied directly to the timber industry, so a lot of people are affected in this community,” Nathan said. Economists say that for every dollar generated in the forest products industry, three other dollars are transferred along in the market.

Loren Rose, controller for Pyramid Mountain Lumber said their mill will get hit hard too. In the near-term Pyramid lost a main revenue stream for hog fuel. The pulp logs, once sold to Smurfit, created a cash flow for Pyramid. With that market lost as well, Rose indicates logging will be more expensive--less revenue and higher logging costs.

“Those pieces still have to get handled, so now we just have a higher cost of doing business.” Rose, along with other local contractors, worry that this added expense and market loss will result in larger slash piles that will eventually get burned.

Landowners will also have to make some hard decisions with the loss of the market and income source. Allen Branine, DNRC Fire Supervisor for Swan River State Forest, says, “It will be harder for private landowners to have good thinning done on their land. All of the small material that might have been used will have to be burned, chipped or find another specialty small market. We’re going to have to burn an awful lot of material that used to go to pulp. This could lead

to increased fuel mitigation cost and an increase in fire danger.”

Okay, so it can’t be all gloom and doom. It is said that when one door closes another one opens, so, what opportunities lie ahead? Is there a future for local biomass utilization in our region and what other markets are out there? Can an increase in biomass utilization on small medium and large scales, reinvigorate the pulp market we just lost at Smurfit Stone?

People are arduously working to find answers to these questions and thinking about new alternative market possibilities.

One large-scale study to determine biomass potential is underway. Montana Community Development Corp is working with Northwestern Energy to determine co-generation potential for eight sawmills that could create community-based biomass power in Montana. Pyramid Mountain Lumber is included in this study, which, when completed, in March, will shed some light on the potential for biomass power generation.

Others I spoke with discussed the potential for smaller biomass operations and diverse local markets. As Floyd Quiram, a logger in Flathead County, recently said to a reporter, “We hurt ourselves by not having local markets.” With transportation costs key to the profit margin, the closer the facility the better.

In addition to local saw mills looking to retool to accept even smaller wood, other market possibilities still include the post and pole industry, other value-added products made locally, marketing cooperatives and thermal biomass production. Biomass heating systems, similar to the Fuels for Schools program, but on a smaller scale and scattered throughout our region, are also being talked about as another

way to diversify the market and utilize more of the small diameter material.

The potential for locally produced biomass heat and energy comes with promise, but also with many questions. Questions, including the sustainability of the supply in the woods and the meaning of appropriate scale, remain. Whatever facilities are built must have continued supply long into the future—so scale and size matters. Other economic and environmental concerns and questions have arisen, as well as the “How Tos” to make some of these possibilities a reality.

With these questions and this topic in mind, Northwest Connections, in collaboration with other local non-profits will be hosting a Biomass Summit in the Spring. The goal will be to learn about emerging markets for woody biomass relevant to our region that would help support and diversify our economies.

With the focus on practical applications, we will hear from rural practitioners in other western regions facing similar challenges. We will be sure to keep the Pathfinder updated when we have more details on this event.

A major theme that came out over and over when talking with folks about the downward turn in the timber industry, and specifically the recent loss of Smurfit Stone, is that we have to do what we can to hold onto our local workforce and infrastructure. The timber industry is a part of this community’s fabric, and we need to continue to work to maintain it.