



Empire State Forest Products Association

www.esfpa.org

The State of the Hardwood Sector and Effects of Covid19 on the Forest Products Industry By: Hugh Canham, Professor SUNY ESF (retired)

This article is based on presentation by Jeff Meyer, President of Baillie Lumber Company, and John Bartow, Executive Director Empire State Forest Products Association, at a regional meeting of the Empire State Forest Products Association, September 24, 2020.

Hardwood lumber is the backbone of New York's wood products industry. New York's sawmills produce about 350 million board feet of hardwood lumber each year. Forest owners' need strong timber markets to economically practice sustainable forestry. The present condition and outlook for hardwood wood products is important for every forest owner in New York. Jeff Meyer, President of Baillie Lumber Company, headquartered in Hamburg, New York gave a very illuminating presentation on the status of the worldwide market for hardwood products at the Regional meeting of the Empire State Forest Products Association on September 24, 2020.

The last two years have been stressful for the lumber industry. Two important events dominate the industry: tariffs and Covid19. China accounted for about 40% to 50% of Baillie's sales for hardwood products with ash, cherry, and oak lumber being the main species exported. In 2019, tariffs placed on imports from the US led to 50% decrease in sales to China, or a 20% overall decline in sales. The tariffs were suspended in 2020 leading to some increase in sales but could be enforced next year.

Domestic markets dropped somewhat in the last two years but in general are holding up. An important factor affecting hardwood lumber demand is high-end home remodeling including wood kitchen cabinets, solid wood flooring, and wood furniture. Due to uncertainty, and shortage of credit, many of the firms manufacturing these products are shifting to just-in-time manufacturing to meet consumers desire for quick turn-around between order and delivery. However, sawmills must continue to carry inventory of many species with uncertainty when demand for a particular species and grade will increase.

The onset of the corona virus hit all manufacturing sectors including New York's forest products companies. John Bartow, Executive Director of ESFPA reported that even though production slowed down, and markets dried up, very few forest products companies in New York laid off workers. Due to the efforts of several organizations including ESFPA, the wood products manufacturing sector was classified an essential industry, making it eligible for certain financial assistance. Most New York forest products firms received some assistance through federal wage supplements and other payments. Jeff Meyer reported that the European market was most affected from the Corona virus outbreak with severe drop in lumber orders last spring and summer but now is showing some increase in sales. Export of hardwood logs remains strong.

Jeff addressed several things that the hardwood lumber industry should be looking at for the future. Diversity in export markets is important. Other Asian countries offer possibilities. Domestically, while home renovation is a major source of hardwood demand at present, new high-end home construction will be important within the next 5 years if the economy improves. The industry needs to come together, with companies working together to promote wood products but finding leadership to

unite them is difficult. In addition, production must adjust to the changing economic conditions and new technology, and not be bound to the present as the ideal.

Forest owners have seen the effects of tariffs and the virus in reduced stumpage prices and fewer bids for timber sales. However, trees are durable. Harvests can often be deferred to the future when demand and prices increase. Will the economy recover? Will sawmills be able to buy all species? Export markets are vital to New York's forest products industry. Will relations with other countries lead to better markets? These are dynamic times. Given the importance of New York's forests in ameliorating climate change and the dominance of the family forests in the State it is vital that a strong wood products industry continues.