



## Industry News

### ■ **Kennebec dams removal faces opposition from business groups, politicians** (January 12<sup>th</sup>)

Business groups and elected officials have lined up to oppose the planned sale and eventual removal of four hydropower dams on the Kennebec River. Sappi North America, which owns a paper mill in Skowhegan, has said it relies on a river impoundment created by the nearby Shawmut Dam to operate, and it would have to shut down if the facility is removed. More than 700 people work at the Skowhegan mill and it is a major economic driver in the region.

— *Maine Public*

### ■ **Maine company that makes Lincoln Logs is closing** (January 15<sup>th</sup>)

Pride Manufacturing Co. started making Lincoln Logs, the classic wooden building toy, in 2014. The Waldo County manufacturer employs 115 people and is set to shut down on April 14. The shutdown comes at a time when forest industry employment in the state is on the decline, despite a rise in wood product manufacturing sales. The closure is due to a significant shift in customer demand that impacted the economic sustainability of the operation.

— *Bangor Daily News*

## Industry Overview

### Forestland Operations

This past winter in the northeast provided ideal weather conditions for our harvest & forestry operations, but markets continued to constrain our operations. There was minimal snow during the season, freezing temperatures prevailed until early March, and the pesky mid-season thaw that occasionally interrupts our activities never arrived. When the cold did depart, however, it did so in a hurry – March was slow until a short late-season cold snap allowed our contractors to wind up operations fairly cleanly.



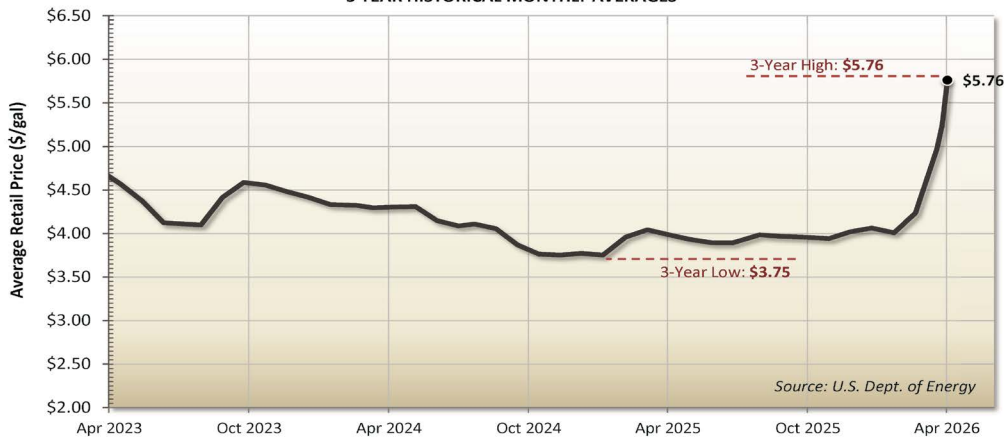
*During this quarter, most of our harvest activity was in softwood stands, like the one pictured here in central Maine.*

At this point, while there are some winter operations finishing, most of the region has entered the mud season - where roads are too soft to haul and the forest floor is too wet to harvest. Instead our team moves into planning mode, making preparations for the summer season to begin, and our contractors move the equipment to the garage to begin a period of maintenance on tired equipment.

Last year at this time, many industry participants, including ourselves, got caught with a good amount of timber temporarily stranded because of how quickly road conditions deteriorated. This year, we had a similar timeframe to the end of mud season but we were a little more prepared - while there is still a lot of inventory piled up, most of it is prepared for market and piled alongside roads that will open early.

In the last several editions of this newsletter I have omitted commentary regarding fuel prices, because at the time there was not much change to report. Unfortunately that period of relative calm has ended with military intervention into Iran and the predictable effect on global oil prices. What this means for us and our logging force is that our regional diesel fuel prices have spiked,

## NUMBER 2 DIESEL FUEL PRICES - NEW ENGLAND 3 YEAR HISTORICAL MONTHLY AVERAGES



and it has suddenly become more expensive to do what we do. With the arrival of mud season and harvesting winding down, the immediate impact of this will be muted until activity starts up again.

As winter operations wind down, the focus shifts from what the woods allowed us to do to what the markets will ultimately absorb.

### Forest Products Markets

Timber markets in the Northeast remain universally challenging despite the supportive weather conditions. With some limited but notable exceptions, mills have no problem sourcing all the wood they need in order to match their consumption. This is both because supply has been abundant, but also because mills have not been running at full capacity for some time.

When things do turn around, however, the balance between demand and supply will be tested. In short, investments in logging infrastructure and workforce will be needed. After years of attrition, the regional

harvesting capacity is currently undersized relative to potential mill demand if they were running at full tilt. This became apparent during the post-COVID demand boom. We are unlikely to see such a drastic surge in demand repeat, but as things recover, a structural capacity shortage in the logging sector will gradually become clear.

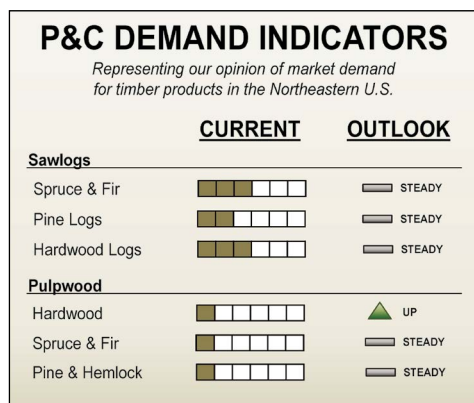
### Pulpwood Markets

For the past year, pulp mill deliveries have been more restricted than usual, and as we progressed through the winter season, hope of immediate recovery was pushed off. Pulp mills entered the winter with higher than usual inventories and, despite the great conditions, worked to keep deliveries at bay through the season using aggressive delivery restrictions. If they hadn't, they would have been simply overwhelmed.

A tragic accident at the Woodland Pulp mill in Baileyville, Maine resulted in the deaths of two workers, and kept the mill consumption idle while the investigations took place and the mill personnel grappled with the loss. The mill has only recently ramped back up, and during the outage, suppliers rerouted products to other mills.

Pricing for softwood pulpwood is slightly down, and while consumption has been generally steady, demand for the material is mostly filled by residual sawmill chips rather than timber delivered directly from the forest. We only occasionally deliver the product.

Panel producers – consuming a similar grade product – also came into winter with



■ **Last chance to align EU deforestation rules with trade and sustainability** (January 15<sup>th</sup>)

The EU's deforestation regulation aims to combat a global issue but currently creates unfair trade barriers and misaligned compliance requirements. It places disproportionate burdens on U.S. producers despite their strong sustainability record, creating an uneven playing field. With enforcement delayed, policymakers must revise the rule quickly to protect trade, support environmental goals, and ensure fair, practical implementation.

— PaperAge

■ **How tariffs are helping this Maine sawmill but creating uncertainty for others** (February 9<sup>th</sup>)

Pleasant River Lumber, a softwood-focused sawmill in Enfield, is expanding after investing over \$100 million since 2020. Its owners say higher tariffs on Canadian lumber have reduced unfair competition, boosted domestic demand for spruce and fir, and given them confidence to grow despite slowing housing markets. However, the broader industry faces uncertainty. Analysts and other mill leaders warn that inflation, high interest rates, and unstable trade policies make the long-term effects of tariffs unclear.

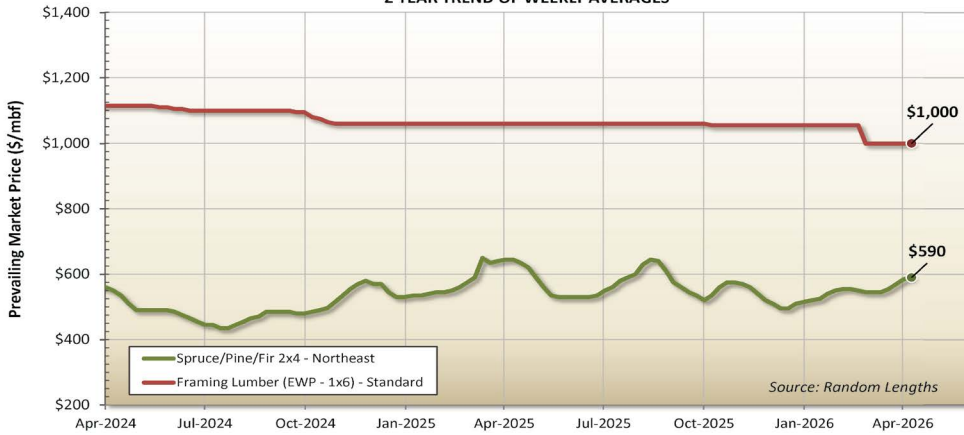
— Bangor Daily News

■ **What does China's capacity surge mean for global competitiveness?** (February 20<sup>th</sup>)

China's rapid expansion and vertical integration are driving a major structural shift in the global pulp and paper industry, increasing competition and lowering costs. State support, cheaper inputs, and integrated supply chains give China

## PRICE TRENDS IN SOFTWOOD LUMBER

2 YEAR TREND OF WEEKLY AVERAGES



healthy inventories. These manufacturers are a good outlet for suppliers of low grade material if the pricing and distance line up, but this winter they were not paying enough to draw material away from pulp mills.

One aspect that may affect the supply chain for pulpwood is the phasing in of new rules for wood fiber products exported to the European Union. European Union Deforestation Rules (or EUDR) is a new legal requirement that forces the full traceability of wood fiber to its exact origin, in an effort to limit deforestation among high-risk regions. To sell pulp products into the EU, the seller must prove that no deforestation occurred and that the wood was harvested in compliance with local laws. Thankfully, Maine is actually well-positioned in that there is no meaningful deforestation in the regulatory sense, and there is a strong legal framework in place. But the EUDR rule doesn't reward compliance –it rewards the ability to prove compliance. That means that traceability and legal accountability are a priority, and the burden of proof falls on mills, suppliers, loggers, landowners alike. Changes to the way wood is procured and the associated documentation flow is being rolled out now, but facing significant resistance.

## Sawn Products

### Softwood Sawstock

In contrast to pulpwood, sawn product markets reflect a different set of challenges and emerging signals, particularly as it relates to tariffs.

Spruce & fir lumber price indexes improved during the quarter - but despite the improvement, we are hearing that mills in our region are not selling much additional product as compared to the fall. There is a seasonal component to lumber sales, and there were some late-season snow storms along the eastern seaboard (where most of our regional lumber supplies go) which may have held back normal construction. This spring is the first building season with the U.S. administration's new tariff regime, which makes the demand picture difficult to interpret and predict.

It took some time, but at this point the majority of our Canadian sawmill markets have throttled back production because of the tariffs, and as a result, we have seen lower demand for sawlogs to those mills. Lands closer to the border have depended on those markets for generations, and landowners in the region should expect lower returns from the product for the time being. That said, our domestic sawmills have ramped up to partially fill the void and capture some of the demand lost from Canadian sawmills. But that doesn't solve the ultimate problem of proximity – for a large portion of the region's wood basket, Canadian markets are much closer.

Pricing for spruce & fir logs reflects this bifurcated picture – domestic mills have kept prices flat, and Canadian mills have dropped their prices and tightened specifications.

U.S. landowners in the very northern areas of Maine are preparing for their second



a strong advantage, reshaping trade flows and pressuring global prices. To remain competitive, companies must adapt through specialization, sustainability, and more flexible, strategic market approaches.

— Paper 360°

### ■ **Maine logging and trucking contributes \$534M to economy, study shows** (February 27<sup>th</sup>)

A 2024 study found that the logging and forest trucking industry contributed about \$1.3 billion to the Northeast economy, with Maine leading at \$534 million. In Maine alone, the industry generated \$283 million in labor earnings, \$23 million in state taxes, and about 4,460 total jobs including direct and indirect positions. Across the region, the sector supported about 6,930 jobs and \$393 million in labor income. The study also found the industry faces major challenges, especially loss of markets for low-grade wood, rising costs, worker shortages, and declining profits.

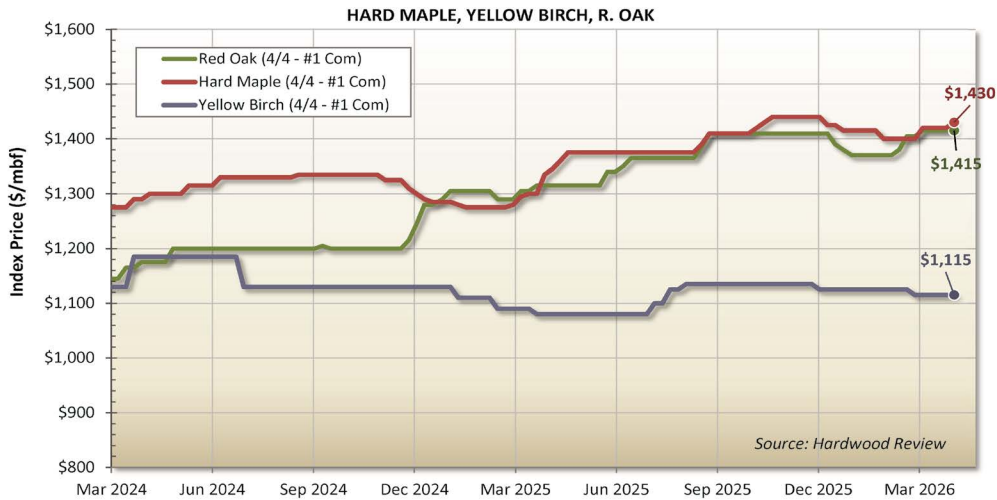
— Maine Biz

### ■ **Pests and storms in changing forests bring new problems for Maine woodlot owners** (March 17<sup>th</sup>)

Maine's forests are increasingly being reshaped by pests, diseases, invasive species and climate change, though overall forest growth has still increased in recent years. These pressures - along with rising deer populations, extreme weather, and economic challenges - are reducing tree diversity, complicating forest management, and threatening the long-term sustainability of family woodlots and the timber industry.

— Bangor Daily News

## RECENT PRICES IN HARDWOOD LUMBER - NORTHEAST



season of treatment for spruce budworm. Results from the first season's treatments were remarkably effective, and so the scale is much smaller this second time around. It would be a mistake to assume that the threat is dwindling, however. Flare ups can be unpredictable and dependent on weather patterns, and with the outbreak in Quebec still going strong, landowners in the U.S. should be prepared to stay vigilant and organized against the destructive pest.

### Hardwood Sawstock

Hardwood mills in the northeast have been suffering from a number of headwinds. First, demand for the lumber – particularly darker species – has been low for some time. Second, the imposition of retaliatory tariffs has shifted foreign demand to markets other than the United States. Lastly, landowners in the region have avoided hardwood areas because of the lack of demand for hardwood pulpwood, and as a result, hardwood sawmills aren't able to acquire the logs needed to keep their unit costs manageable. This means the prices they must pay for logs are higher than lumber demand would suggest.

Recently these forces – and others – converged to effect the shutdown of one regional player – Pride Manufacturing. As a primary consumer of birch “bolt wood”

(short, small diameter sections), Pride produced golf tees, cigar tips, and other small items. It was also a significant employer in the area. Since the closure announcement, there has been a noticeable drop in the price for white birch.

On the lower end of the grade spectrum, consumers of industrial hardwood pallet logs are struggling with their end markets, and the sourcing of the raw material is just as difficult as it is with upper end grade logs. The pricing for these logs has been unchanged and uninspiring. However, the timber mat log market has shown hints of optimism after a little bit of a lull in demand, but pricing has yet to reflect it.

### Summary

Overall, the start of 2026 highlights a clear tension between strong operating conditions and persistently soft markets. While favorable weather supported efficient harvesting, demand constraints, rising costs, and policy shifts continue to limit momentum across our regional forest product classes. Some early adjustments are emerging, but a broader recovery will depend on improved demand and renewed investment. Disciplined planning, operational flexibility, and careful market alignment will remain essential. 🌲



### ■ Surging diesel prices squeeze Maine truckers and loggers, as Iran war drags on (March 30<sup>th</sup>)

Rising diesel prices linked to the war with Iran are straining Maine's logging and trucking industries. Fuel costs have surged over 30% in the past month to around \$5.70 per gallon, and trucking leaders say these increases will be passed on to consumers. Loggers are currently absorbing the higher costs but may need mills to pay more for wood if prices remain high. While the spike is significant, diesel prices are still below the highs reached during the 2022 energy crisis.

— Maine Public