

APRIL 2023

MONTHLY NEWSLETTER

Official Newsletter of the Maine Forest Products Council



Message from the Executive Director

PAT STRAUCH

Last week, our industry received some discouraging news – the ND Paper mill in Old Town will shutter until conditions on the ground improve. The company made this decision in order to shift focus on strengthening their Rumford operation at a time when, frankly, conditions are tough. The three reasons cited by the company were: increased fiber costs, increased energy costs and challenging market conditions.

Before breaking down each of these issues, it is important to take a step back and look at the bigger picture because, while this is certainly a setback, there are just as many opportunities in this industry as challenges right now. As a whole, our industry is resilient, and gears are already set in motion to modify, adapt and overcome.

To set the stage, many of today's issues were set in motion by the 2020 digester explosion that occurred at Pixelle in Jay. Prior to that explosion, the facility was taking in about 1.5 million tons of fiber per year. The explosion caused a sudden drop in demand during a time (mud season) when everyone had built up inventories. As a result, a large market for fiber was lost in the blink of an eye.

HIGH FIBER COSTS

That sudden market loss created a roller coaster for our logging and trucking workforce, and understandably a lot of loggers and truckers were faced with the tough decision of whether or not to stay in the business or downsize. (Cont. on pg. 2)

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Executive Director message (cont.)

Fast forward to today - we have less capacity both in logging and trucking, and we don't have folks filling second shifts at some mills, even though the demand has been strong. At the same time, COVID created a big disruption in the industry as well, and workforce challenges have since been amplified.

Other driving forces impacting loggers, haulers and the industry as a whole include increased diesel fuel prices, increases in equipment costs, low workforce participation rates and unpredictable weather.

Now, we are faced with a scenario where the capacity is not meeting the demand, putting an upward pressure on the cost of fiber that has resulted in roughly a 40% increase in cost for fiber in a relatively short period of time.

The bottom line is trees are plentiful and forests sustainably managed, but we need to get people back into equipment seats.

HIGH ENERGY COSTS

Maine continues to have high energy costs compared to other forest industry states. A lot of focus has been placed on the effects of the renewable portfolio policy on energy costs but that doesn't change the fact that we are heavily dependent on natural gas. Paper mills are unique in that they can be both producers and consumers of energy. Mills have high thermal energy demands for processing as well, and the trend has been to move away from oil to natural gas. The constraints this time of year on that resource greatly impact the ability of our mills to keep costs down so we can remain competitive. Until a viable alternative to natural gas is widely available and cost-effective, we must look at alleviating some of the bottlenecks that are driving costs up for all forms of energy in this state. Maine is close to plentiful, renewable natural gas in the Northeast – we just need pipeline capacity to get it here.

CHALLENGING MARKET CONDITIONS

Unfortunately, while our mills are faced with workforce shortages, a 40% increase in the cost of fiber due to high demand and low supply and higher costs for everything from equipment to electricity and diesel fuel, the price our mills are getting for the pulp they produce has decreased by roughly 15% since last fall. Industry analysts are projecting further erosion in selling prices as 2023 unfolds.

This is unsustainable, particularly for mills that are not vertically integrated. But all hope is not lost.

(Cont. on page 3)



Executive Director message (cont.)

Recent Investments



Company	Location	Start	Investment	Purpose
Sappi	Skowhegan	Nov. 11, 2022	\$418 M	Conversion & expansion
LP Building Solutions	New Limerick	Nov. 2, 2022	\$400 M	Expansion
J.D. Irving	Ashland	Aug. 3, 2022	\$1.8 M	Energy efficiency
LP Building Solutions	New Limerick	Feb. 18, 2021	\$150 M	Conversion & upgrades
Timber HP	Madison	December 31, 2021	\$85 M	Transformation into a wood fiber manufacturing facility
Total:			\$1.05 B	

Recent announcements also include \$100 million for a biorefinery in Lincoln and \$7 million for a wood pellet expansion in Ashland.

NECESSARY INVESTMENTS ARE BEING MADE:

Since the Pixelle explosion and COVID, some serious investments have been made/announced that will help our industry diversify and become more resilient. As a result, the consumption of wood at Maine mills has steadily increased. These were huge and disruptive events, but prior to the ND announcement, we had replaced the demand that was lost, illustrating the dynamics of market forces in Maine. Wood is finding a new home, and as recently reported in “The Economic Contribution of Logging and Trucking in Maine,” 78% of loggers report that markets for the wood they harvest has either recovered or increased over the last five years. ND Old Town’s loss of about one million tons of wood will be absorbed over time, but the loss of a market for softwood pulp accelerates the need to remain focused on finding alternative markets for these species.

POTENTIAL SOLUTIONS

The Council is currently working with a diverse coalition on a bill to expand child care availability so working families can more fully participate in the workforce. More on that later in this newsletter. We are looking at a project to expand CDL licensing opportunities to put more people in trucks to move fiber, and the FOR/Maine project, of which we are a founding member, is seeking funding to continue the important work that has been done to put this industry in the best position to capitalize on opportunities well into the future.

CONCLUSION

Our industry is resilient with potential for growth, but that doesn’t mean there won’t be disruptions as markets adjust and new challenges present themselves.

Our mills are well capitalized, diversified and resilient. Necessary investments are occurring, and opportunities abound for Mainers looking for a rewarding career in our forests and mills. To hear more on these thoughts, here is a link to my recent segment on the George Hale and Ric Tyler show.



Tribal Sovereignty: Proceed with extreme caution

This year, the Legislature will consider a host of Tribal issues, with sovereignty front and center in the form of LR 1184, “An Act Implementing the Recommendations of the Task Force on Changes to the Maine Indian Claims Settlement Implementing Act.” This bill, which is still in the drafting stage and has not yet been released publicly for review, is sponsored by House Speaker Rachel Talbot Ross of Portland.

While the Council will refrain from taking an official position on the bill until the bill is printed, we have been working with tribal attorneys and lawmakers to ensure that our concerns are heard and considered during the drafting process. We would like to take this opportunity to explain our position on this important issue.

To understand how we got to where we are today, it’s important to look to the past, specifically to the Maine Implementing Act (MIA) negotiated between the State of Maine and the Tribes, and then to the Maine Indian Claims Settlement Act, which solidified this agreement in federal law in 1980.

The settlements provided significant benefits to the Penobscot and Passamaquoddy tribes, including:

- A fund of \$54.5 million (\$196 million when adjusted for inflation to today’s dollar) for the acquisition of up to 300,000 acres of land;
- \$16 million in federal tax incentives to compel landowners to voluntarily sell land for inclusion in tribal land holdings;
- a \$27 million trust fund for Maine tribes.

For the Houlton Band of Maliseet Indians, and later the Aroostook Band of Micmacs, federal laws recognized them as tribes, making them eligible for federal Indian programs and assistance.

MIA recognized and protected tribal sovereignty by eliminating State authority to interfere in internal tribal government affairs. At the same time, because the tribes would be acquiring up to 300,000 acres of land, spread widely over central and part of northern Maine, the tribes agreed that state laws dealing with the environment would apply uniformly across all jurisdictions, and that they would have the same rights as municipalities with regards to environmental regulations. The Settlement Acts also authorized the State and tribes to change these terms, provided they both agreed.

These agreements, reached by three sovereign entities, helped Maine’s tribes secure the most significant tribal land holdings east of the Mississippi River in a patchwork unlike any other state in the nation. For context, prior to the Settlement Acts, the Penobscot Nation had 4,446 acres and the Passamaquoddy Tribe had 23,200 acres for Indian Township and another 100 acres for Pleasant Point. Considering this fact, the uniform jurisdictional framework established by the Settlement Acts was crucial to ensuring regulatory certainty for all citizens – tribal and non-tribal alike – for environmental resources that flow from one property to the next (air, water, wildlife).

And that brings me to the Maine Forest Products Council’s position, which is this: The Settlement Acts were designed in a way to allow the flexibility to update and change the agreement as circumstances change over time. There are certainly changes that can and should be addressed to ensure that the freedom and sovereignty of the Tribes isn’t infringed upon, and that all economic opportunities are available. (Cont. on Page 5)



Tribal Sovereignty: Proceed with extreme caution (cont.)

However, shared natural resources of air, water and wildlife flow and move freely across the lands, and the forest products industry requires the use of these resources to operate. Outright sovereignty on their land would give the Tribes the new ability to set binding standards to these resources, separate from the State's already demanding standards impacting everything from forest road stream crossing permits to industrial water permits upstream/downstream of tribal lands.

The result would be jurisdictional enclaves, each with its own laws, existing across central and part of northern Maine. Some of these would lie within municipal boundaries in areas never intended to be removed from municipal jurisdiction, creating a dual system of regulation in those areas that would allow Maine's tribes to regulate Maine municipalities, companies and citizens. This scenario would quickly become unworkable for industry in Maine, especially since we now know from the Penobscot Nation v. Mills 2015 lawsuit that the federal government would interpret tribal rights to extend beyond the borders of their lands with "halos."

The State of Maine does an excellent job of protecting our natural resources, and it has done so with significant input from the Tribes. For example, just a few years ago, Maine established the most stringent Human Health Consumption criteria in the country, with a fish consumption rate that is ten times more protective than the risk level used in many states. These new criteria were the result of the State, Tribes and industry working together, under the current settlement framework, to benefit all residents of Maine.

We support a continued collaborative approach to regulating shared natural resources under the current framework. There are surely compromises that can be made to improve the economic status of the Tribes in Maine, but any updates or changes to the Settlement Acts must maintain environmental regulatory uniformity. We look forward to continued conversations with all parties involved in order to find the best path forward.

Industry support for child care reform

Last fall, the Council did an informal poll of some of our members and quickly found that one of the greatest barriers to the forest products industry is the lack of available workforce/low workforce participation. This issue is particularly challenging for rural businesses where the services required to support a robust workforce are lacking.

One major gap in service is that of available and affordable child care. Without safe, local options, parents are faced with the tough choice of securing employment and picking up shifts or caring for children.

These challenges are not unique to our industry or state. According to a recent report by Ready Nation, the child care shortage is costing the United States \$122 billion in lost earnings, productivity and revenue each year. The report also found that 85% of parents indicated that problems with child care hurt their work effort or their time availability for work. Twenty percent of those surveyed reported they had to exit the labor market due to childcare challenges and more than 1/3 reported that inadequate child care capacity restricts their career options, causing them to turn down important opportunities such as job offers, education or work-related training.

Unfortunately, these challenges have only become tougher since the pandemic caused a significant number of childcare facilities to close and providers to permanently leave the industry. (Cont. on page 6)



Industry support for child care reform (cont.)

Some larger employers within the forest industry are taking a proactive approach and are working to open new facilities in underserved communities or secure spaces at existing daycare providers. To support this trend, and hopefully enable more employers to address this pressing issue, the Council has joined a diverse coalition this session supporting a bipartisan bill, LD 1222, “An Act to Expand Child Care Services Through an Employer-supported Tax Credit.”

As drafted, this bill would help families afford child care, help employers recruit and retain qualified workers and help providers leverage a stable funding mechanism by providing a refundable tax credit for employers that pay or provide in-kind resources for child care for children of its employees.



HELPING FAMILIES	HELPING EMPLOYERS	HELPING PROVIDERS
afford child care, which typically costs more than \$12,000 per child per year	recruit and retain qualified workers by increasing their access to reliable child care	leverage a stable funding mechanism to maintain and expand their services

WHAT DOES THIS BILL DO?

This bill provides a refundable tax credit for an employer that pays or provides in-kind resources for child care for the children of its employees. The amount of the annual credit is 50% of the amount expended, up to a cap of \$3,000 per child.

SUPPORTERS INCLUDE



The amount of the annual credit would be 50% of the amount expended, with a cap of \$3,000 per child.

While we are confident that our bill would create many opportunities for workers and employers, there is also a shortage of child care workforce that needs to be addressed. We can build facilities, reserve slots and help make these services affordable for employees, but these efforts depend on the availability of child care providers, which has also been a real challenge both in Maine and nationally.

For this reason, the Council has also supported Senator Joe Baldacci’s bill, LD 890 “An Act to Create the Child Care Provider Student Loan Repayment Fund.” We are also supportive of the inclusion of \$10.5 million in the State budget to expand pre-K and continue salary supplements of \$200 for child care workers.

Together, we are hopeful that these bills and funding will tackle the three major issues impacting child care availability for Maine’s workforce: Availability of care, affordability of care and child care workforce recruitment/retention.

In order for our industry and all sectors of Maine’s economy to thrive, we must collectively tackle the real issue of child care shortages head-on.



Welcome, Stacy Bettencourt!

After an extensive search, the Maine Forest Products Council is pleased to introduce Stacy Bettencourt, our new Office Manager!

Stacy holds a BA in English from the University of Maine and an MA in Professional Writing. She has had a varied career that spans nearly twenty years in the field of education, over a decade in office administration, and other areas of interest including graphic design and technical writing.

Outside of her professional pursuits, Stacy is an accomplished artist with an extensive body of work, including pieces commissioned by companies like Ulta Beauty and Calcium USA.

When she isn't creating works of art, she spends her time adventuring with her favorite boys – Tyson and Daniel. Her coonhound and husband, respectively. On the weekends you will often find her behind a camera either in her home portrait studio or in her gardens, hiking her back forty with Tyson, or immersed in a landscaping project.

Please join us in giving Stacy a warm welcome.



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Please participate in FOR/Maine poll



Link to poll: <https://mdf.wufoo.com/forms/s1r8o4z1btfh3p/>

In 2021, FOR/Maine released its Workforce Strategy, developed by USM's Center for Business and Economic Research and the FOR/Maine Workforce Committee. This report was used to identify priority occupations on which workforce development efforts could be focused to best support industry needs. Given time passed, industry changes, and COVID-19, it's time to gauge if careers identified as priorities for workforce efforts in FOR/Maine's 2021 Report are still most relevant, or if needs have changed.

If you haven't yet, please take 5 minutes to help inform our ongoing workforce efforts!

Articles of interest



COMMENTARY: GOV. MILLS REMAINS COMMITTED TO PROGRESS WITH TRIBAL NATIONS

Mainebiz
MAINE'S BUSINESS NEWS SOURCE

NEW ACT FOR FOREST PRODUCTS: MANUFACTURERS FIND NEW USES FOR MAINE'S VAST FOREST RESOURCE



SCIENTIFIC REPORT FINDS MAINE'S COMMERCIAL FORESTS CAN STORE MORE CARBON WHILE MAINTAINING HARVEST



GOVERNMENT RULES LAST WILD ATLANTIC SALMON IN COUNTRY CAN COEXIST WITH MAINE'S HYDROELECTRIC DAMS

Photos from our Legislative Breakfast

On Thursday, March 9 the Maine Forest Products Council, in partnership with the Retail Lumber Dealers Association of Maine, hosted a legislative breakfast reception in Augusta. Thank you to all who attended and participated in this event.



MFPC Regulatory Calendar

ISSUE/PROJECT	AGENCY	WEBSITE	COMMENT PERIOD DEADLINE
EPA PFAS Regional Community Engagement Session	EPA	https://pfascommunityengagement.org/register/	April 11, 2023
Chapter 90: Products Containing Perfluoroalkyl and Polyfluoroalkyl Substances	Maine DEP	https://www.maine.gov/tools/whatsnew/index.php?topic=dep-rulemaking&id=10415809&v=govdel	May 19, 2023
RFP for the sale of energy, capacity, or renewable energy credits from qualifying heat and power projects pertaining to Versant Power and CMP	Maine PUC	https://mpuc-cms.maine.gov/CQM.Public.WebUI/Common/CaseMaster.aspx?CaseNumber=2022-00342	Ongoing
Extended Producer Responsibility Program for Packaging	Maine DEP	https://www.maine.gov/dep/waste/recycle/epr.html	Ongoing
PFAS in Products	Maine DEP	https://www.maine.gov/dep/spills/topics/pfas/PFAS-products/index.html#:~:text=A%20retailer%20may%20not%20sell,products%20containing%20intentionally%20added%20PFAS.	Ongoing

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