

**STUMPAGE SPEAK**

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**Louisiana Timber Market Report<sup>1</sup>**  
**Fourth Quarter (Oct-Dec) 2018**  
**LSU AgCenter**

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<b>Louisiana Stumpage Prices (\$/ton)</b>	<b>4<sup>th</sup> Quarter 2018</b>	<b>Change from Prior Quarter</b>
<b>Product Class</b>	<b>Price per ton</b>	<b>% Change</b>
<b>Pine Sawtimber</b>	<b>23</b>	<b>-1.71</b>
<b>Pine Chip-n-Saw</b>	<b>17</b>	<b>-8.61</b>
<b>Pine Pulpwood</b>	<b>8</b>	<b>2.53</b>
<b>Oak Hardwood</b>	<b>43</b>	<b>-3.10</b>
<b>Hardwood Sawtimber – Mixed Grade</b>	<b>36</b>	<b>11.18</b>
<b>Hardwood Pulpwood</b>	<b>10</b>	<b>0.40</b>

<sup>1</sup> The following document is intended for use by forest stakeholders in Louisiana. **The source of these prices is proprietary in nature and rounded per agreements to disseminate to the public. Therefore, I add percentages so the reader will know if prices are up/down/flat.** The prices I report are also state averages. I recommend using this document and those produced by Louisiana Department of Ag and Forestry to aid decisions about purchases, sales, and determining harvesting schedules. As always,

communicate with a **consultant forester** on prices before executing contracted agreements with wood buyers.

**Price Conversions:**

- Pine Sawtimber/ MBF= Tons \* 8
- Hardwood Sawtimber/ MBF = Tons \* 9.5
- CNS and Pine Pulpwood Cords = Tons \* 2.7
- Hardwood Pulpwood Cords = Tons \* 2.85

## **What the closure of the Georgia Pacific Mill means for Louisiana Forestry**

### **Introduction**

Georgia-Pacific (GP) out of Port Hudson, has announced it will eliminate 630,000 tons of uncoated freesheet (UFS) paper capacity and completely exit UFS market in March is impacting the entire North American printing and writing papers market and having major consequences for Louisiana's forest economy.

While some were surprised, in hindsight there were warning signs of this inevitable outcome. Facebook posts by former employees and those with local insight mentioned that the mill had laid off workers previously in the past several years. Rumors abound as to the why, but the most likely culprit is equipment upgrades that the mill (given the markets for uncoated freesheet paper) did not believe to be reasonable from a profitability standpoint.

More specifically, Georgia-Pacific decided to close down the 2 uncoated free sheet machines and pulp mill at the Port Hudson mill, despite its location, given the age of the mill and its need for substantial capital. The Port Hudson mill has been around since the mid 1960's and GP has owned for nearly that entire time. The mill has two recovery boilers, both were last serviced in the early 2000's and they typically have a 15-20 year lifespan.

### **End use markets**

Why did they close those lines? The printing paper market had been declining for years. A company official said demand for office papers has been declining 3-5% annually for the past five or 10 years because of electronic substitution and the market "isn't viable long-term."

Those companies still in the UFS market are breathing a sigh of relief. For starters it removes supply from a product that has experienced waning demand for some time. That in turn will lead to higher paper prices (in the short term) and will also allow more breathing room for those other companies to forestall closures or conversions for the next several years. The longer term expectations are closures and/or conversions to containerboard and packaging paper mills as those markets are expected to grow in the coming years.

In the meantime the UFS markets will be as concentrated as they've been in the last 15-20 years. The remaining players IP, Domtar, and PCA will now have a combined share of 70% of the market.

International paper and Exxon have both expressed interest in interviewing employees that were laid off in the capacity reduction but it remains to be seen how many of those can be absorbed.

### **Economic impact to the state of Louisiana**

Georgia-Pacific's decision to stop producing office paper at its Port Hudson mill and lay off 650 people could ripple into an estimated loss of nearly 2,150 other jobs across Louisiana<sup>2</sup>. I felt this is a conservative number. The layoffs will result in the loss of nearly \$188 million in labor income and nearly \$22.8

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<sup>2</sup> In the model I assumed 700 employees being laid off. While this is a larger number than the actual 650, there are a number of other impacts (i.e. if the employee has to move, the loss of any spousal income) that are not captured, so the number is still conservative. The figures don't capture the ripple effects into nearby Mississippi, where some people live and work in the timber/paper industry and could be doing the lion's share of their business in Louisiana.

million in tax revenue for state and local governments, most of that coming from sales and property tax (12 million and 4.5 million, respectively). Please e-mail me for more detailed information.

### **Further Consequences**

Not mentioned to this point is the impact on landowners and loggers in the region. I was told literally a day before the announcement that the Florida parishes had become a pulpwood market by one logger. While I might disagree in part, he wasn't wrong<sup>3</sup>. With the closure of two plywood mills and the remaining lumber mills going to smaller and smaller dbh wood for lumber.

More, specifically this crushes the hardwood pulpwood market in the area as the only other hardwood roundwood consumers I can find are Gloster (very small demand), Arcadia (too far away), Mansfield (see Arcadia), Oakdale (same), Campti (chips only), and then IP in Vicksburg (138 miles away). In short, I have no answer for hardwood pulpwood markets for those in the area. Even if Drax in Gloster switched over completely to hardwoods it would only account for about half of the consumption that the Port Hudson mill was consuming.

While the retail tissue lines will remain open, I have been told (need to confirm this) that the rest of the feedstock needed will be imported in from other locations (perhaps South America). So for all intents and purposes the mill no longer exists for landowners and loggers. According to my data, that amounts to a loss of 1,000,000 million bone dry standard tons (2/3 of which is hardwood) in consumption. Although those numbers may be a bit dated and thus over estimations.

It is my opinion that many landowners who rely on hardwood (or mixed pine hardwood) property for financial returns in the area, consider:

1. Selling the property to recreational users who do not have that need or desire for income off of the property,

or

2. Offering those recreational uses and selling them in the form of hunting leases, etc.

Either way managing hardwoods will be difficult as the pulpwood markets just aren't going to be there for the time being.

### **Addendum**

To get a better handle on the local impacts Dr. Matt Fannin and myself will be conducting an analysis at the behest of stakeholders in the area titled "MEASURING THE ECONOMIC CONSEQUENCES OF LAYOFFS AT THE GEORGIA PACIFIC PAPER MILL ON THE ECONOMY OF THE GREATER ZACHARY REGION". This should allow us to answer more finely detailed questions for the parishes in the surrounding area. I'll share this information as soon as possible.

For clarification or other questions, feel free to shoot me an e-mail at [stanger@agcenter.lsu.edu](mailto:stanger@agcenter.lsu.edu)

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<sup>3</sup> I think it's a chip-N- saw world in the Florida parishes.

**Table 1. Summary of effects on employment and other important economic metrics**

ImpactType	Employment	LaborIncome	TotalValueAdded	Output
Direct Effect	700.0	77,867,168.6	225,224,799.5	666,485,570.9
Indirect Effect	1,198.8	73,269,394.9	121,908,667.3	248,960,848.5
Induced Effect	885.6	36,599,459.6	66,181,327.1	115,810,560.2
Total Effect	2,784.4	187,736,023.1	413,314,793.9	1,031,256,979.6

**Table 2. Tax implications for the state of Louisiana due to the closure**

State and Local Taxes Lost	Employee Compensation	Proprietor Income	Tax on Production and Imports	Households	Corporations
Dividends					\$173,277.00
Social Ins Tax- Employee Contribution	\$134,182.00				
Social Ins Tax- Employer Contribution	\$271,112.00				
Tax on Production and Imports: Sales Tax			\$11,979,788.00		
Tax on Production and Imports: Property Tax			\$4,640,270.00		
Tax on Production and Imports: Motor Vehicle Lic			\$40,264.00		
Tax on Production and Imports: Severance Tax			\$977,604.00		
Tax on Production and Imports: Other Taxes			\$629,561.00		
Tax on Production and Imports: S/L NonTaxes			\$17,917.00		
Corporate Profits Tax					\$612,543.00
Personal Tax: Income Tax				\$2,394,223.00	
Personal Tax: NonTaxes (Fines- Fees				\$762,594.00	
Personal Tax: Motor Vehicle License				\$45,755.00	
Personal Tax: Property Taxes				\$51,696.00	
Personal Tax: Other Tax (Fish/Hunt)				\$101,535.00	
Total State and Local Tax	\$405,295.00		\$18,285,404.00	\$3,355,804.00	\$785,820.00

**Table 3. Map of pulpwood consuming mills within 150 miles of Port Hudson**

