Forestry, Forest Products, and Forest Restoration

Timber Industry Overview

US citizens consume 67 cubic feet of timber per person per year compared to a global average per capita consumption of 21 cubic feet. At the same time, however, national forest timber production has decreased dramatically in the United States in the last decade, and total domestic production has declined by nearly half since 2007, from about 60 billion board feet to around 30 billion board feet.

Since the 1920's the Forest Service has offered periodic timber sales in Southeast Alaska, but its modern timber program began with the Tongass Timber Act of 1947, which authorized the Forest Service to develop long-term timber supply contracts that included profitability clauses to lower the investor's risk. The next year the Forest Service awarded a 50-year contract to a partnership between Puget Sound Pulp and Timber Co. and American Viscose Co. to produce rayon, which organized the Ketchikan Pulp Corporation (KPC) who opened a mill at Ward Cove near Ketchikan in 1954. That same year, another smaller long-term contract was given to a sawmill in Wrangell. Finally, the Japanese, who were in need of new sources of fiber and timber after WW II formed the Alaska Lumber and Pulp Company (APC). APC was awarded a 50-year, 5 billion board feet contract for timber from the northern southeast Alaska forest, and in 1959 built a pulp mill at Silver Bay, near Sitka. Many small communities in the region sprang up and began their lives as logging camps. The Ketchikan and Sitka mills anchored the forest products industry in Southeast Alaska until both mills closed in 1990s, leading to large job losses in Southeast Alaska. In 1990, 3,400 workers were employed in the timber industry in Southeast Alaska; in 2009 employment is at 238.

Timber issues in the 17 million-acre Tongass National Forest in Southeast Alaska remain contentious. An injunction from the Ninth Circuit Court of Appeals in 2005 reduced timber sales from the Tongass National Forest pending preparation of the 2008 Amended Tongass Land Management Plan (TLMP). On February 15, 2008, the USFS published for public comment its Record of Decision and Final Environmental Impact Statement for the 10-year update of the Tongass Land Use Management Plan (TLMP). It supported 267 million board feet (mmbf) of timber harvest. In 2008 there were 14 appeals to the new TLMP. Any timber currently in litigation is not available to local purchasers and mill operators. However, according to industry participants, the primary culprit causing the implementation failure of the plan and resulting timber supply shortage is due to economic shortcomings in the plan. As a result, since 2001 Tongass timber harvests have been averaging less than 50 mmbf annually, much less than the allowable sale quantity (ASQ) of 267 mmbf. Most recently the 73 mmbf Logjam timber sale near Coffman Cove cleared litigation

hurdles to move forward in late 2009. Timber operators cite the instability of the timber supply as the greatest obstacle to receiving business loans.

The USDA Forest Service intends to help the Southeast Alaskan communities within the Tongass National Forest transition to more diversified economies by stimulating economic opportunity and job creation in a variety of areas including forest restoration. In the Forest Service's FY 2009 "The State of the Tongass National Forest," forest restoration is defined to encompass a wide variety of activities, from invasive species eradication to young growth thinning. What these projects have in common is their intent to improve forest health and diversify local economies.

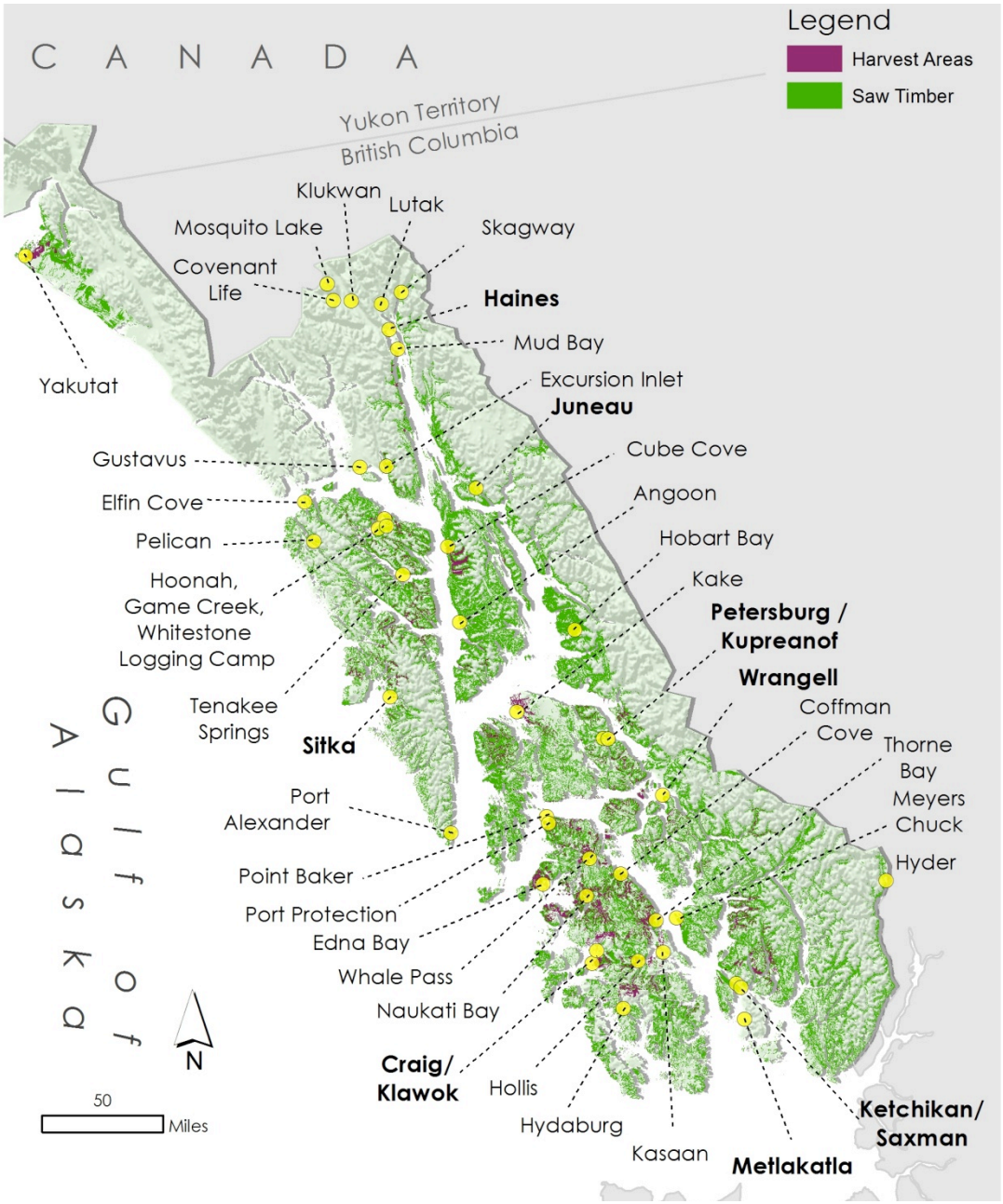
Restoration activities include silvicultural practices (pre-commercial thinning and basil pruning), habitat restoration and enhancement activities, old growth harvest, 100% use of wood through fiberboard manufacture, and opportunity for round log export. Combining a diversity of activities within one sale allows those that are more profitable to subsidize those that are less profitable and also adds flexibility to respond to changing market conditions. Businesses engaged in timber work that were interviewed for this Asset Map all felt that some old growth harvest must continue to be assured; that all mills including small mills creating jobs throughout rural communities, rely on old growth trees. Old growth is needed for value added wood manufacturing.

Sector Employment and Wages Overview, 2003 and 2009

Cluster/Industry Name	NAICS Industry Code	Annual Average Monthly Employment 2003	Annual Average Monthly Employment 2009	Change 2003-2009	Businesses 2009	Wages 2009	Avg wage
Forestry and Logging		**510**	**238**	**-53%**	**32**	**11,759,446**	**$49,375**
Logging	1133	371	158	-57%	17	8,261,299	$52,149
Support activities for forestry	1153	20	24	21%	6	1,374,076	$56,858
Wood product manufacturing	321	119	56	-53%	9	2,124,071	$38,214

Some forest restoration jobs are not counted in the forestry and logging cluster above. Forest restoration jobs at this time are primarily in forest thinning, stream restoration, and road storage or maintenance. Those engaged in the latter two activities are primarily heavy equipment operators. That type of employment is a NAICS code that falls under Construction, so this direct employment in forest restoration is likely not represented in the forestry and logging cluster.

Location of Harvested Areas and Available Saw Timber

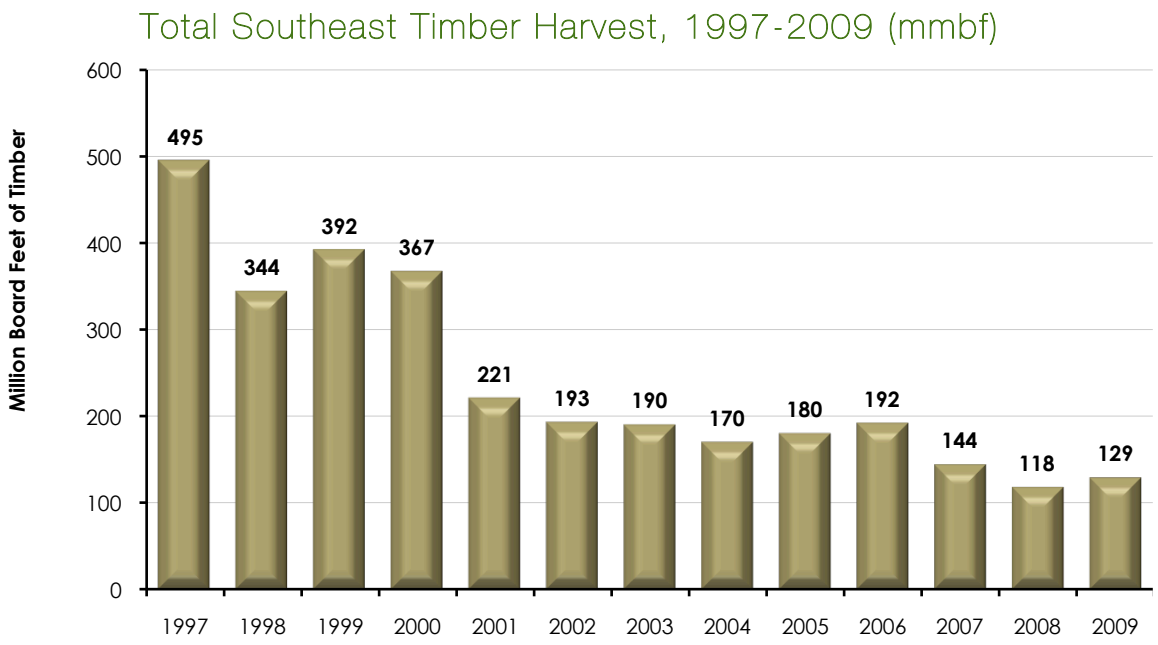


In November 2010, the Tongass Forest issued "The Integrated 5-Year Vegetation Plan: 2010-2014." This reflects feedback the Forest service has received from local and regional stakeholders over the past four years to begin the initial steps to integrate watershed restoration, habitat improvements, pre commercial and commercial thinning, as well as traditional timber sale opportunities. This five-year plan includes young growth projects for the first time and explicitly focuses on stewardship contracting opportunities to open up opportunities for small communities to grow local jobs. It should be noted that there is some disagreement over the Intergrated 5-Year Plan in timber groups. For example, the Forest Service posted the following comments from the Alaska Forest Association:[1]

> The 2008 Tongass Land Management Plan promised to deliver up to 267 mmbf (million board feet) annually, but the 2008 5-year timber sale schedule along with the four promised ten-year timber sales provided only about 190 mmbf of timber sales annually. This latest 5-year schedule, now called a "vegetative management schedule", cuts the scheduled volume about in half (it averages about 92 mmbf annually). Meanwhile, the implementation of TLMP is proceeding about as expected; the Forest Service has been able to make available only about 10% of the scheduled timber sale volume. This is primarily a result of economic deficiencies in the Forest Plan. Also, please note that two-thirds of this latest schedule is comprised of timber sale projects that appraise deficit. The primary cause of the reduced volume in the new schedule appears to be the avoidance of timber sales in roadless areas. Fully half of the timberlands scheduled for harvest in the 2008 TLMP are in roadless areas. Another quarter of the TLMP scheduled timberlands hold immature timber – timber that is growing very well, but will not be physically or economically mature for many decades.

In 2009, the total Southeast Alaska timber harvest was 114 million board feet (mmbf). This includes 51 mmbf from Sealaska land; 15 mmbf from Alaska Mental Health timber operations; 43 mmbf from the Tongass; and 6 mmbf from State timberlands. The total 2009 harvest is a 3.5 percent decrease from 2008, and represents a 77% decrease from the 1997 Southeast harvest of 495 mmbf.

[1] October 2010 comments by the AFA as posted on http://www.fs.fed.us/r10/tongass/newsroom/newsroom_specialreports_5YearPlan.shtml



Source: Alaska Forest Association

Sealaska Corporation also has large timber holdings in southern Southeast Alaska and generally harvests between 50 and 70 mmbf annually, accounting for approximately two-thirds of the region's timber activities. At this time Sealaska estimates they will be out of timber in about two years unless Congressional Legislation in 2011 enables them to select land from beyond their current boundary. In 2010, the State Legislature constituted a new State forest in Southeast Alaska by joining together 10-12 scattered parcels totaling about 28,000 acres into the Southern Southeast State Forest. Several of these parcels were formerly logged USFS lands that are in need of pre-commercial thinning; Alaska DNR is working now to plan these activities. The other state forest in Southeast Alaska is in Haines, and active timber harvest and pre-commercial thinning occurs there. Haines companies compete for the thinning work.

A ban on export of unprocessed timber from Federal lands does not apply to State and private lands. Since the Asian market for round logs is strong, much of the timber harvested from non-Federal lands is exported in unprocessed form, and no local processing jobs are created in the region from this harvest. Many local areas are pursuing small-scale harvest to meet local and regional needs, and are seeking ways to increase value-added opportunities, rather than shipping raw logs out of the region.

The USFS has substantial holdings of timber suitable for harvest. Although the current political climate has hindered sales of many USFS timber stands, a few mills have been able to operate with what is available. Mills would prefer to have three year's worth of timber on contract, but that has

been difficult to obtain because nearly every timber sale has been subject to litigation. A recent study by the USFS and the University of Alaska Southeast outlined the conditions and need for a Medium Density Fiberboard (MDF) plant to utilize mill waste and low quality wood in the region. A plan for inventorying the second-growth timber is under way and will be completed in January 2011. This inventory is essential to determine when and where such timber will be commercially viable, so that a plan to transition to a second-growth timber economy can be made.

In 2009, the Forest Service began work to prepare and offer four, 10-year timber sales to stabilize the timber supply for the existing operations and induce new manufacturing investments.

A bright spot in the industry is that a small portion of wood waste is now successfully being used for fuel in the region. The City of Craig uses chips to heat the swimming pool and a school. There are also efforts underway, led by Sealaska Corporation and the Coast Guard, to replace boilers from oil-fired to wood pellet and thereby generate enough demand in the region to make construction and operation of a wood pellet plant on Prince of Wales Island economic. The USFS has an opportunity to contribute to the regional demand with its choice for heating fuel for its new Forestry Sciences Laboratory in Juneau. If a wood pellet plant is built this could be the first step in reestablishing markets for residuals and low grade logs. This could also be the start of rehabilitation of an integrated industry.

Between 2007 and 2009, logging and wood products manufacturing employment in Southeast Alaska dropped 43 percent—from 372 in 2007 to 214 in 2009—as two large and one small mill closed or became idle. The decline of the timber industry in Southeast Alaska has directly contributed to declines in the non-Juneau regional population (which decreased 8.7 percent between 2000 and 2009).

There are approximately 20 sawmills in Southeast Alaska today, most of which are very small and employ one or two people. The only significant sawmill remaining is Viking Lumber in Klawock on Prince of Wales Island. It is the largest private timber industry employer on the island with approximately 35 employees. There is a group of 7-9 small mills in the Thorne Bay area on Prince of Wales Island. A series of tables reviews activity at the mills in Southeast Alaska in detail at the end of this chapter.

Forest Restoration, Funding, and Contracting Tools

In May 2010, US Secretary of Agriculture Vilsack endorsed a Transition Framework for the Tongass National Forest to provide jobs and community stability for Southeast Alaskan communities. The Framework will include a series of potential economic development actions to stabilize communities in Southeast Alaska by providing jobs around forest restoration, renewable energy, tourism and recreation, subsistence, fisheries and mariculture. Further, it proposes a new approach

to forest management on the Tongass National Forest that moves timber harvesting into roaded, young growth areas and away from old-growth timber in roadless areas.

This shift to harvest of smaller diameter young growth trees requires forest restoration. In order to maintain the health and the resiliency of the forest, restoration must be conducted on thousands of acres of the Tongass. Approximately 8 percent of the forest land on the Tongass National Forest (400,000 acres) is in young growth, half of which is available for harvest under the Tongass Forest Plan. Without investment in commercial thinning, commercially viable young growth forest management is predicted to be possible sometime between the 2030's to the 2050's. With restoration investment, young growth volume could be available in this decade. The hope is that by investing in young growth harvesting and restoration, an integrated wood products industry that produces Alaskan wood for Alaskan use as well as for export can be developed.

In the Forest Service's FY 2009 "The State of the Tongass National Forest," forest restoration is defined to encompass a wide variety of activities, from invasive species eradication to young growth thinning. What these projects have in common is their intent to improve forest health and diversify local economies. In Southeast Alaska forest restoration activities are occurring on Tongass, State and Native Corporation land. Funding for forest restoration work in Southeast Alaska comes primarily from the federal government. USDA Forest Service funding comes from both regular formula driven annual funding and special programs from many different internal sources.

- Federal ARRA stimulus funding contributed significantly last year to work on both public and private land.
- The USDA State and Private Forestry division provides funding for a variety of activities including restoration on private and state land.
- The State of Alaska general fund pays for DNR pre-commercial thinning.
- Two USDA Natural Resources Conservation Service (NRCS) programs are used to fund restoration work on private land, the Environmental Quality Incentives Program (EQUIP) and Wildlife Habitat Incentives Program (WHIP). WHIP provides funding for wildlife enhancement activities, such as Saan Seet's current work to improve habitat in Craig. EQUIP is generally used to fund pre-commercial thinning. Kavilco and Kake Tribal Corporations are using EQUIP money to conduct pre-commercial thinning in the Kasaan and Kake areas, and Sealaska Corporation uses these funds (and others) for pre-commercial thinning throughout Southeast Alaska.
- The US Fish and Wildlife Service funds stream and riparian restoration projects, many of which are in formerly logged areas.
- Private foundations have been providing matching funds to enable acquisition of federal funding, including The Nature Conservancy, National Forest Foundation, Gordon and Betty Moore Foundation, National Fish and Wildlife Foundation, and Trout Unlimited.

Other possible funders for restoration work are the ADF&G Sustainable Salmon Fund, and the USFS Resource Advisory Council (RAC) funding through secure schools. Other federal programs used to fund forest restoration in the US are not available to Southeast Alaska because they are geared toward reducing fire hazard and the Tongass is not a fire forest.

In its 2008 assessment of "The Economic Impact of Forest Restoration in Southeast Alaska," the McDowell Group attributed 160-190 direct jobs to forest restoration in 2007, of which 85-110 were due to contract spending and included 65-75 in thinning, 10-20 in road maintenance, and 10-15 in stream restoration work. Other jobs were USFS and private administrative positions. Direct spending in 2007 was $8.4 million, of which $5 million went to restoration contract work.

There are about 20-22 jobs created for each $1 million spent on restoration projects. As restoration-related spending circulates through the economy, it creates additional indirect economic benefits leading to more jobs and income. Economic benefits from Southeast's restoration industry are estimated at more than $10 million a year (McDowell Group, 2008). In FY 10 approximately $3.6 million in thinning and $3.1 million in road storage work is anticipated in the Tongass.

The 2008 "The Economic Impact of Forest Restoration in Southeast Alaska" by The McDowell Group mentioned restoration contract scale and duration[2] as being important determinant factors in whether Southeast Alaska businesses can effectively compete. Two USFS contracting tools, Stewardship Contracting and Integrated Resource Service Contracting, offer flexibility to address forest restoration contract scale and duration.

Current law authorizes the US Forest Service and the Bureau of Land Management (BLM) to undertake stewardship end results contracting projects, also known as stewardship contracting. The term of the stewardship contract may not exceed 10 years. The current authorization will expire at the end of FY 2013, when reauthorization will be needed.

Stewardship contracts are a means to achieve improved forest health and ecosystem benefits and simultaneously address rural community needs and economies. Restoration activities are part of a contract or agreement that may include multiple partners such as federal, tribal, state, and local agencies; non-governmental organizations; and other interested groups or individuals. Key elements of the stewardship contracting process include the following:

[2] Restoration contract scale: Offering contracts suitable for small, local contractors is necessary to support local economic benefit. If given enough work over a period of years, these small operators could eventually expand and realize some of the economies of scale enjoyed by larger operators. For local thinning operators with few employees, contracts of 40 to 100 acres are optimal. Smaller operators do not have the capacity to bid on 1,000-acre tracts. Large contracts attract large, outside firms (who find it uneconomical to bid on the smaller projects).

Restoration contract duration: Multi-year contracts could give businesses and their employees greater income stability. Owners of local heavy equipment operations need multiple-year contracts to invest in the equipment and manpower necessary to expand and compete with larger firms. From the perspective of the rural labor force, it can be more important to have multi-year job security than a higher wage for an unknown period.

- Collaboration occurs upfront and during the development and initiation of a project;
- Initiation may be started by agencies and organizations outside of the USFS and BLM;
- Retention of receipts from forest products collected as a result of restoration efforts may be applied to restoration needed in the project area;
- Provides authority to trade goods or services (such as restoration needs);
- Provides authority to use subcontractors; and
- Allows evaluation of a contractor's proposals by the Best Value contracting process (USFS), which are based on the quality of a proposal, expertise and past work history as a contractor as opposed to a single focus of lowest bid. This is the aspect of stewardship contracting that allows consideration and program design to benefit rural communities and economies.

Increased stewardship contracting will create Southeast Alaskan jobs and sustain communities.

Over time it is hoped that revenue from stewardship contracts will provide more direct funding for restoration work in Southeast Alaska by designing stewardship contracts that result in the forest receipts earned directly from the restoration work exceeding the cost of this work. To achieve profitability through stewardship contracting people and businesses in the region must have the correct equipment, training, and experience to conduct restoration work, and, projects must be designed where the value of the products exceeds the costs.

Another contracting tool in use now by the Tongass National Forest is Integrated Resource Service Contracts (IRSC), a new approach to implementing a restoration economy with an all-encompassing, multi-year service contract. The goal is to accomplish resource management activities on a selected landscape by offering projects suitable for small, local contractors to be accomplished over a 5-year period. This will allow business owners and their employees greater income stability for a longer time. The Forest Service is using an IRSC for a variety of projects on Revilla Island, on the Ketchikan-Misty Fiords Ranger District. This effort will maximize cost effectiveness, efficiency, and outputs. These IRSC projects are being funded through a variety of sources, including economic recovery funds (FY 09 State of the Tongass National Forest, June 2010, R10-MB-702).

Both of these tools will address some of the shortcomings that operators have pointed out with current Forest Service commercial thinning contracts which are not predictable, sometimes too large for smaller local contractors to handle, and by using a contracting procedure that favors price above all else bypasses opportunity to develop skilled, local workface and sustainable relationships.

There is skepticism among both traditional timber harvesters, large and small mill owners, and others in the timber and logging industry about forest restoration and the opportunities and change it will bring. There is fear that shifting direction will decrease old growth harvest, which is high value wood used for value-added products and to subsidize less profitable parts of timber sales. It also simply represents more change and uncertainty in an industry that has been battered over the last 10-15 years by litigation delays, instability of timber supply, management shifts, and seeing many neighbors go out of businesses. Success will require active listening, open communication, and a willingness to design profitable, legally defensible, sales and contracts that will provide work for existing and new businesses in the logging and forestry cluster and thereby benefit rural communities in the Tongass.

Mill Capacity and Utilization Survey, Calendar Year 2009

A series of tables are now presented that review data on mills in Southeast Alaska.

During the spring and summer of 2010 mill production capacity and utilization information was gathered directly from major producers in southeast Alaska. Mills to be surveyed, data to be collected, and survey forms developed by the Forest Service Alaska Region and the PNW Research Station for use in previous survey years were used for the CY 2009 survey. Sampling was conducted on-site, in the field in most cases with the remainder conducted via telephone interviews. Originally, the twenty largest and/or most active sawmills were included in the survey, which began in 2001 (for CY 2000). In 2007 the 20 original mills became 22 with the partial subdivision and sale of one mill. Of those 22 mills, eleven were active in 2009, three were idle, and eight had been decommissioned or were no longer in production (i.e., "uninstalled").

Active Mills (11)

Icy Straits Lumber & Milling, Viking Lumber Co., D&L Woodworks, Thorne Bay Wood Products, Thuja Plicata Lumber, Porter Lumber, St. Nick Forest Products (formerly W.R. Jones & Son Lumber Co.), The Mill, Inc., Falls Creek Forest Products (formerly Southeast Alaska Wood Products), Western Gold Cedar Products, and Thorne Bay Enterprises3 (WGCP and TBE were part of the partial subdivision and sale of Northern Star Cedar)

Idle Mills (2)

Northern Star Cedar, Pacific Log and Lumber.

Uninstalled Mills (9)

[3] While considered "installed" and active in CY 2009, Thorne Bay Enterprises had a mill fire in November 2009 that resulted in a total loss of all processing capacity. At the time of this survey, the owner had not yet decided whether to rebuild.

Ketchikan Renaissance Group (formerly Gateway Forest Products (veneer)), Gateway Forest Products (lumber mill), Herring Bay Lumber, Alaska Fibre, Annette Island Sawmill (formerly KPC Hemlock mill), Metlakatla Forest Products, Kasaan Mountain Logging and Lumber, Chilkoot Lumber Co, and Silver Bay, Inc.

For the purposes of this report, "total installed capacity" includes the capacity of the eleven 11 active mills and the three idle mills. That capacity stands at 249,350 MBF.

Total installed capacity in CY 2009 decreased by 33,000 MBF board feet from CY 2008, which reflects a reduction of the installed capacities at Icy Straits Lumber and Milling (1,500 MBF) and Falls Creek Forest Products (1,500 MBF), and the decommissioning of the Ketchikan Renaissance Group veneer mill (30,000 MBF).

Mill production in CY 2009 amounted to approximately 13,422 MBF, down approximately 10,244 MBF from CY 2008. Three mills reported higher production in CY 2009 totaling approximately 93.5MBF and nine mills reported decreased production totaling approximately 10,337.4 MBF. Percent mill utilization, based on total installed capacity amounted to 5.38%, the lowest level since the survey began. Mill employment in CY 2009 amounted to 57.5 FTE including owner-operators, another precipitous decrease of 36.5 positions or nearly 39 percent from CY 2008, which witnessed huge losses (94 FTE) from CY07.

Southeast Alaska Sawmills, Calendar Year (CY) 2009

Mill Name	Location	Description	Status	# Employees
Icy Straits Lumber & Milling Co.	Hoonah	Conventional carriage, circle saw headrig, edger, bull edger, trim saw, log debarker & merchandiser, resaw, dry kiln, planer, moulder	Active	5
Viking Lumber Co.	Craig	Conventional carriage, band saw headrig, linebar and gang resaws, edgers, trim saw, log debarker and merchandiser, end-dogging circle saw scragg	Active	32
D&L Woodworks	Hoonah	Portable band saw mill and portable circle saw mill	Active	2
Gateway Forest Products (lumber)	Ketchikan	Twin band mill with end-dogging carriage, resaws, edgers, trim saw, log debarker and merchandiser	Uninstalled	0

Mill Name	Location	Description	Status	# Employees
Ketchikan Renaissance Group, formerly Gateway Forest Products	Ketchikan	Rotary veneer mill, log debarker and merchandiser	Uninstalled	0
Northern Star Cedar	Thorne Bay	Shake/shingle mills, portable sawmills, trim saws, etc.	Idle (partially subdivided)	0
Western Gold Cedar Products (part of Northern Star Cedar break-up)	Thorne Bay	Shake & shingle mills	Active	2
Thorne Bay Enterprises (part of Northern Star Cedar break-up)	Thorne Bay	Portable circle saw mill, trim saw, log and lumber decks	Active	1
J. Peterson (formerly part of Northern Star Cedar break-up)	Thorne Bay	Portable circle saw mill	Ownership reverted to Northern Star Cedar	0
Herring Bay Lumber	Ketchikan	Conventional carriage, circle saw headrig, resaw edger, trim saw	Uninstalled	0
Alaska Fibre	Petersburg	Portable circle saw mill, horizontal band resaw, edger	Primary processing equipment sold in 2005 and 2008	0
Falls Creek Forest Products (formerly Southeast Alaska Wood Products)	Petersburg	Portable circle saw mill, trim saw, log and lumber decks, dry kiln, moulder	Active	1.50
Thorne Bay Wood Products	Thorne Bay	Portable circle saw mill, trim saw, log and lumber decks, dry kiln, planer/moulder	Active	5
Annette Island Sawmill (KPC Hemlock mill)	Metlakatla	Conventional carriage, single cut band saw headrig, linebar resaw, gang edger/resaw, edger, trim saw, log debarker and merchandiser	Uninstalled	0
Metlakatla Forest Products	Metlakatla	Conventional carriage, circle saw headrig with top saw, horizontal resaw, edger, log debarker and merchandiser	Uninstalled	0
Thuja Plicata Lumber	Thorne Bay	Portable circle saws mill, carriage mill and shake/shingle mill	Active	3
Porter Lumber Co.	Thorne Bay	Conventional carriage, circle saw headrig, gang resaw edger, trim saw, portable circle saw mill, dry kiln	Active	2

Mill Name	Location	Description	Status	# Employees
Silver Bay, Inc.	Wrangell	Conventional carriages, band saw headrigs, linebar resaw edgers, trim saw, planer mill, log debarker and merchandiser;	Uninstalled	0
St. Nick Forest Products (formerly W.R. Jones & Son Lumber Co.)	Craig	Portable circle saw mill, dry kiln, planer/moulder	Active	3
Kasaan Mountain Lumber & Log	Kasaan	Conventional carriage, circle saw headrig, circle saw linebar resaw, edger, debarker	Uninstalled	0
The Mill	Petersburg	(4) portable circle saw mills	Active	1
Pacific Log & Lumber	Ketchikan	(2) conventional carriage mills with circle saw headrigs, horizontal band resaw, edger, trim saw, log debarker and merchandiser, dry kiln, planing mill. 60-ft bandmill added in 2006.	Uninstallation in process	0
Chilkoot Lumber Co.	Haines	Conventional carriage, 8-ft band headrig, 6-ft and 7-ft band resaws, debarker, chipper, edger, etc.	Uninstalled	0

Estimated Mill Capacity and Estimated Mill Production
Calendar Year 2009

Mill Name	Estimated Mill Capacity (log scale, MBF)1	Estimated Mill Production (log scale, MBF)2	Percent Utilization of Installed Capacity
Icy Straits Lumber & Milling Co.	21,000	430	2.05
Viking Lumber Co.	80,000	11,698.36	14.62
D&L Woodworks	1,750	103.5	5.91
Northern Star Cedar (NSC)	5,000	Idle	0
Western Gold Cedar Products	6,500	200	3.08
Thorne Bay Enterprises	3,000	20	0.67
J. Peterson	Ownership reverted to Northern Star Cedar		
Falls Creek Forest Products (formerly Southeast Alaska Wood Products)	3,000	60	2.00
Thorne Bay Wood Products	5,000	500	10.00
Thuja Plicata Lumber	7,500	200	2.67
Porter Lumber Co.	2,500	40	1.60
St. Nick Forest Products (formerly W.R. Jones & Son Lumber Co.)	1,000	150	15.00
The Mill	8,500	20	0.24
Pacific Log & Lumber	39,600	Idle	0
Total	249,350	13,421.86	5.38

1 Estimated Mill Capacity: an estimate of the processing capability of the mill based on the amount of net saw log volume (Scribner log scale) that could be utilized by the mill, as currently configured, during a standard 250-day per year, two shifts per day, annual operating schedule, not limited by availability of employment, raw materials or market.2 Estimated Mill Production: the net saw log volume (Scribner log scale) that received primary manufacture during the calendar year. This is the estimated net saw log volume used during the year to manufacture sawn products.

Estimated Mill Production by Product, CY 2009

Mill Name	Total Est. Mill MBF Production	Dimension Lumber	Shop Lumber	Cants Timbers	Other
Icy Straits Lumber & Milling Co.	430.0	175.0	60.0	195.0	
Viking Lumber Co.	11,698.36	2,880.01	5,539.66	3,278.69	
D&L Woodworks	103.5	33.35	70.15		
Northern Star Cedar	Idle				
Western Gold Cedar Products	200.0				200.0
Thorne Bay Enterprises	20.0	20.0			
J. Peterson	Ownership reverted to Northern Star Cedar				
Falls Creek Forest Products (formerly Southeast Alaska Wood Products)	60.0	20.0		10.0	30.0
Thorne Bay Wood Products	500.0	217.0	283.0		
Thuja Plicata Lumber	200.0	160.0	26.67	13.33	
Porter Lumber Co.	40.0	14.0	11.0	15.0	
Silver Bay, Inc.	Idle				
St. Nick Forest Products (formerly W.R. Jones & Son Lumber Co.)	150.0	22.5	127.5		
The Mill	20.0	20.0			
Total	**13,421.86**	**3,561.86**	**6,117.98**	**3,512.02**	**230.00**

Sources of logs processed (source of volume included in actual mill production), CY 2009

Mill Name	National Forest MBF	State of Alaska	Private Other	Total
Icy Straits Lumber & Milling Co.	21.5	408.5		430.0
Viking Lumber Co.	8188.85	3509.51		11,698.36
D&L Woodworks	103.5			103.5
Northern Star Cedar	Idle			
Western Gold Cedar Products	40.0	160.0		200.0
Thorne Bay Enterprises	20.0			20.0
J. Peterson	Ownership reverted to Northern Star Cedar			
Falls Creek Forest Products (formerly Southeast Alaska Wood Products)	60.0			60.0
Thorne Bay Wood Products	125.0	250.0	125.0	500.0
Thuja Plicata Lumber	200.0			200.0
Porter Lumber Co.		40.0		40.0
St. Nick Forest Products (formerly W.R. Jones & Son Lumber Co).	150.0			150.0
The Mill	20.0			20.0
Total	**8,928.85**	**4,368.01**	**125.0**	**13,421.86**

Source: Alaska Dept of Natural Resources, Div. of Forestry unless noted otherwise

Primary Manufactured Product by Species, Included in Actual Mill Production Calendar Year 2009

Mill Name	Total Est. Mill MBF Production	Sitka Spruce	Western Hemlock	Western Red cedar	Alaska Yellow Cedar
Icy Straits Lumber & Milling Co.	430.0	200.0	100.0	100.0	30.0
Viking Lumber Co.	11,698.36	4,098.36	4,800.00	2,666.67	133.33
D&L Woodworks	103.5	69.0	11.5		23.0
Northern Star Cedar	Idle				
Western Gold Cedar Products	200.0			190.0	10.0
Thorne Bay Enterprises	20.0	20.0			
J. Peterson	Ownership reverted to Northern Star Cedar				
Falls Creek Forest Products (formerly Southeast Alaska Wood Products)	60.0	30.0	25.0		5.0
Thorne Bay Wood Products	500.0	100.0	350.0	40.0	10.0
Thuja Plicata Lumber	200.0	20.0	1.33	162.0	16.67
Porter Lumber Co.	40.0		36.0	4.0	
Silver Bay, Inc.	Idle				
St. Nick Forest Products (formerly W.R. Jones & Son Lumber Co.)	150.0	22.5	15.0	105.0	7.5
The Mill	20.0	5.0	14.0		1.0
Pacific Log & Lumber	Idle				
Chilkoot Lumber Co.					
Total	**13,421.86**	**4,564.86**	**5,352.83**	**3,267.67**	**236.50**

Primary manufactured product by species, NOT included in actual mill production, CY 2009

	Total MBF	Sitka Spruce	Western Hemlock	Western Red cedar	Alaska Yellow Cedar
Total	1,250.00	233.33	1,005.55		11.12

NOTE: "Primary manufactured products NOT included in actual mill production" consists of all non-sawn products (e.g., chips, firewood, poles, house logs) that are manufactured independently of normal sawmill operations (in other words, products from logs that do not go through the sawmill). Non-sawn products, such as chips or firewood that result from processing sawmill residues and by-products are not included in this category.

Forestry, Forest Products, and Forest Restoration Strength/Constraints

Key strengths/opportunities

As it has in the past, the Tongass National Forest timber industry can provide a higher number of year round wage earning jobs, sustainable businesses, and livelihoods for the people that live within its rural communities. These jobs are more important than ever in the face of the current economy. A spectrum of timber related activities, from responsible sustainable harvest in the forest, to milling and value-added use of that harvest, to forest restoration activities, to harvest and use of berries, edible and medicinal plants can provide opportunity for people living in Southeast Alaska. These concerns are magnified by a desire to increase exports nationally, to lessen our reliance on countries that do not have concern for US national interests, and to not shift industries to countries with less concern for the well being of our planet. Ways to allow businesses, residents, and communities within the 17 million acre Tongass National Forest to utilize its wood in responsible, economical ways is desired.

Over time it is hoped that revenue from stewardship contracts will provide more direct funding for restoration work in Southeast Alaska. This will occur by designing stewardship contracts that result in the forest receipts earned directly from the restoration work exceeding the cost of this work. To achieve profitability through stewardship contracting people and businesses in the region must have the correct equipment, training, and experience to conduct restoration work, and, projects must be designed where the value of the products exceeds the costs.

In 2010, the State Legislature constituted a new State forest in Southeast Alaska by joining together 10-12 scattered parcels totaling about 28,000 acres into the Southern Southeast State Forest. Several of these parcels were formerly logged USFS lands that are in need of pre-commercial thinning; Alaska DNR is working now to plan these activities.

One mill on Prince of Wales Island has invested in a pole peeler, this equipment allows production of small diameter (young growth) wood poles.

If the number of wood pellet heat systems in Southeast Alaska increases through large facility boiler conversion to generate at least a 10,000 ton/year demand this would provide enough demand to sustain a local wood pellet plant. If a wood pellet plant is built this could be the first step in reestablishing markets for residuals and low grade logs. This could also be a start toward restoration of an integrated industry.

Key constraints/obstacles

The absence of a predictable steady economic timber supply is cited as the top obstacle by most involved in the forestry industry. This is a critical factor for success of any Tongass timber industry, including young growth, restoration, or traditional timber harvesting. Businesses need to know there will be a ten year wood supply to make investments, assume risk, and to obtain financing. Timber operators cite the instability of the timber supply as the greatest obstacle to receiving business loans.

Litigation creates instability in the timber supply and reduces harvest levels. While 267 mmbf annually is allowed under the 2008 TLMP there has only been an average of about 50 mmbf harvested since 2001.

It can be hard for businesses to 'get through' the Forest Service bureaucracy. Operators suggest that at higher levels Forest Service ideas and people are responsive and conversations collaborative, but policy and direction gets lost internally and doesn't make it down to the 'rank and file' employees that businesses deal with on a daily basis. At this level rule interpretation and application can seem arbitrary.

There is young growth wood opportunity, including commercial thinning, in Southeast Alaska in the next 20-30 years, but not enough volume to sustain a mill.

Current USFS contracting procedures put primary emphasis on price. This has resulted in restoration and pre-commercial thinning work sometimes going to those from outside the region. Other impediments cited to developing a trained, local, sustainable workforce and building relationships are letting contracts out on an unpredictable basis. As an alternative, the USFS could identify a schedule of 5+ years of thinning work in advance, and work and negotiate with a few contractors to build relationships. This would allow contractors to guarantee several months of work each year to employees, which results in building a local workforce that is trained, skilled and loyal because it allows work to be predictable. This means that Southeast workers wouldn't have to move away from their home community to find a job because they could count on the thinning work each year and could piece together other work around this.

Southeast Alaska's sawmills are not well equipped to process smaller second growth trees. The 2008 McDowell study cited a barrier to expanding the restoration industry in Southeast as USFS capacity. Restoration projects on the Tongass require significant staff involvement in planning, inventory, assessment, project design and monitoring.