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Wisconsin's Forest Products Industry Signs of Challenges Ahead

Background

The Wisconsin Council on Forestry is a diverse group of forestry community leaders who support Wisconsin's efforts to achieve sustainable forestry. The Council was created by state statute to advise the governor, legislature, Department of Natural Resources, and other state agencies on a host of forestry issues.

The Council on Forestry is concerned about challenges that our state's forest industry is facing and that our state's economy, the prosperity of our rural communities, and the health of our forests are under threat.

Wisconsin's forest products industry is one of the leading manufacturing sectors representing over 11 percent of the state's total manufacturing jobs with a \$37.8 billion contribution to the state's economy.¹ As noted in Governor Evers' 2020 Blue Ribbon Commission on Rural Prosperity report, Wisconsin's forests have been both a source of wonder and a source of enterprise and productivity. Forestry, wood, and paper have deep roots in rural Wisconsin's economy and culture and present opportunities to endure, employ, and contribute to prosperity and remain a core industry for rural Wisconsin and the entire state. Keeping forestland as working forests is paramount to the ability of our forests to provide the economic, environmental, and social benefits that are essential to society.² In addition to the economic contributions directly related to the harvesting and manufacturing of forest products, a healthy forest industry is also critical to our ability to sustain vibrant and resilient forests which provide clean air, clean water, abundant recreational opportunities, and wildlife and game habitat, all essential to supporting Wisconsin's nearly \$10 billion outdoor recreation industry.³

Despite these substantial historical contributions to our state, Wisconsin's forest industry faces several challenges that the Council believes have the potential, if not addressed, to significantly limit these economic and social contributions now and into the future.

What is at Stake

- ❖ Jobs
- ❖ Healthy Forests
- ❖ Wisconsin's Economy
- ❖ Wildlife Habitat
- ❖ Rural Prosperity
- ❖ Air and Water Quality

Industry Challenging Trends

- Wood and paper and fiber related product manufacturing job numbers have decreased over time.⁴
 - While WI remains the #1 paper producing state in the nation, paper mill jobs have decreased from 12,968 in 2009 to 6,947 in the third quarter of 2024, a 46 percent decrease.
 - Over this same 15-year period, wood building materials job numbers decreased by over 1,600, a 20 percent decline.

- Between 2019 and 2023, the overall number of forest products establishments in WI has decreased from 1,427 to 1,350, a 5.4 percent decrease.⁵
 - Forestry and logging establishments alone have decreased by 8 percent.
 - The most recent closures in August 2024 included sawmills in Goodman, Mattoon, and Rice Lake laying off 139 workers.⁶
 - Mills that produce *publishing-grade paper* have been closing at an average of one a year since 2006 in Wisconsin. Each shutdown means a loss of 300 to 600 jobs.⁷

- Over the last 10 years, stumpage prices in real dollars (the dollar amount landowners receive for selling their standing trees for harvest, adjusted for inflation) have decreased by about 40 percent.⁸
 - In 2023, stumpage revenue for sold timber was 8 percent lower on County Forests and 14 percent lower on State Forests as compared to the average sold dollar amount over the past 10 years (unadjusted for inflation).

- Comparing 2021 harvest levels to 2014 harvest levels, using the most recent USDA Forest Inventory and Analysis (FIA) figures, shows a combined species and product decrease in harvest levels of about 12 percent statewide.⁹
 - The decreased harvest levels are the highest in the state's northeast region with a 34 percent lower removal level. While the state's northern region, as a whole, shows a decrease of about 20 percent when comparing 2021 to 2014.

- In a survey of Wisconsin logging businesses:⁸
 - The percentage of businesses that indicated they will go out of business in five years increased from 19 percent in 2003 to 30 percent in 2021.
 - In 2021, 75 percent of operators indicated that they do not plan to expand their business in the next five years.

What Is Being Done

The trends noted here have evolved over many years. The Council considers the closing in 2020 of the Verso kraft paper mill in Wisconsin Rapids, which alone represented about 25 percent of total pulpwood processing capacity in Wisconsin, as a galvanizing event. This loss of a significant portion of the pulpwood market reverberated through all sections of the fiber supply chain and compounded already existing challenges. As this has transpired over the last four years, the Council on Forestry, additional industry stakeholders, and others have worked to foster solutions. Some examples of the many efforts are:

- Despite the numerous closings of paper grade facilities over the past few decades, Wisconsin's papermaking industry has undergone significant diversification in terms of consumer products and remains the #1 paper producing state in the nation. While production and regulatory challenges remain, two new state-of-the-art, \$500 million mills, recently came online in Green Bay which have added hundreds of jobs to the workforce and contribute to the overall stability of the industry.
- In partnership with the WDNR, WEDC, and UW Extension, the Council on Forestry produced a report "*The Future of Wisconsin's Forest Products Economy – Summary of Focus Group Discussions*" in February 2022. Available on the Council's website - <https://councilonforestry.wi.gov/Pages/home.aspx>. The Council has continued to engage partners and advocate for short- and long-term solutions to support, develop and diversify the forest industry.
- A coalition including The WI Paper Council, Great Lakes Timber Professionals Association, WDNR, Menomonee Tribal Enterprises, Mid-States Technical College, and UWSP- WI Institute for Sustainable Technology applied for a Build Back Better Regional Challenge Federal Grant in 2022. The proposed projects included building an R&D forest-fiber-paper-packing facility; generating recycling renovation; creating new markets for maple wood; and developing related training. The proposal was, unfortunately, not awarded federal funding. This effort did, however, build a strong coalition that continues to work on industry initiatives.
- More than \$1.5 million has been awarded to WI forest products companies and stakeholders over the last 5 years through the U.S. Department of Agriculture - Forest Service Community Wood Energy and Wood Innovations Grant program. Some of the recipients include Krueger Lumber, Nicolet Hardwoods, Kretz Lumber, Menominee Tribal Enterprises, and UWSP - WI Institute for Sustainable Technology.
- The UWSP- WI Institute for Sustainable Technology has recently been awarded a \$4 million grant by the WEDC to reimagine and expand the use of forestry products. This grant aims to rejuvenate Wisconsin's pulp and paper and forest product sectors.
- An \$8 million WEDC Workforce Innovation Grant was awarded to the UWSP WI Forestry Center in collaboration with industry, education, and economic development partners to support education and create a pipeline to forestry careers.
- Efforts continue through the WDNR Forest Products section to support the industry including work on mass timber and cross laminated timber, biochar, and biomass products and markets, along with providing technical assistance to WI forest product

firms and related training. WDNR efforts also include a host of forest products industry economic and forest resource analysis and publications.

- Endeavors continue with the team at the USDA Forest Products Laboratory in Madison to engage resources and expertise on how to better support, develop and diversify Wisconsin's forest products industry.

What Further Needs to Be Done

Wisconsin is not alone in struggling with challenges being faced by their state's forest industries. Nationally, the forest products industry has been changing steadily over the past 3 decades. More recently, the forest products sector across the U.S. has been experiencing a dramatic increase in facility closures. Hundreds of sawmills and wood products facilities have closed over the last decade. In an 18-month span at least 150 forest products businesses have closed, eliminating well over 10,000 jobs. Most of these closures and associated job losses are in rural communities. The economic status of each forest products sector (e.g., logging, hardwood and softwood sawmills, bioenergy, value-added products) is impacted by both unique and overlapping challenges including low housing starts, reduced commercial lending, non-wood material substitution, competitive labor markets, high housing costs, electronic publishing and communication, insurance rates, fuel costs, public policy, and many others.¹

To deal with these challenges and impacts, states are aggressively engaging stakeholders, their legislature, universities, and related state and federal agencies in efforts to determine strategies to support, develop, diversify, and market their state's forest industries. This includes efforts to promote their state as a home for new industries.

Wisconsin risks irreversibly falling behind, while other states move forward with support for their forest products industries.

While individual Wisconsin stakeholders continue to recognize and do what they can to address the challenges we face, the Council feels a collaborative engagement of all of the wood supply chain sectors along with our universities and research facilities, and legislators and government agencies is needed to proactively plan and act to stimulate, expand, and support utilization of our forest resources, all in a manner that holds true to our state's high values placed on environmental quality and way of life.

1 – WDNR, Economic Contribution of the Forest Products Industry to Wisconsin's Economy, 2024. 2021 IMPLAN Data

2 – National Association of State Foresters, Policy Statement, Markets for Wood Products and Their Positive Impact on Forest Resource Management, 2024-01

3 – WI Office of Outdoor Recreation <https://outdoorrecreation.wi.gov/Pages/home.aspx>

4 – WEDC Lightcast Q3 2024 Data Set

5 – WDNR, Bureau of Labor Statistics data, Council on Forestry data request 07/2024

6 – Green Bay Press Gazett, J. Bollier 08/07/2024

7 – Milwaukee Journal Sentinel, J. Schmid 12/08/2012 and 11/02/2022

8 – WDNR, State and County Forest data, Council on Forestry data request 07/2024

For More: <https://councilonforestry.wi.gov/Pages/home.aspx> Contact: WI Council Chair -Tom Hittle, Email: Hittle.Tomj@gmail.com