

Timber in Transition: Industry Watches for Plum Creek's Next Move

By Perry Backus of the *Missoulian*

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SEELEY LAKE - When Loren Rose first went to work for Pyramid Mountain Lumber Co. 20 years ago, the mill counted on logs from nearby lands owned by the timber giant, Plum Creek. That doesn't happen anymore. These days, smaller family-owned operations like Pyramid Lumber compete with Plum Creek for timber sales on private, state and federal lands. There just isn't that much timber coming off Plum Creek lands in and around Seeley Lake anymore. Most of the merchantable trees on the company's acreage in the area are gone. "Everyone has weaned themselves off Plum Creek over the last 10 years," Rose said. "We went from enjoying a lot of volume to getting close to none."

With Plum Creek now moving to sell some of its industrial timberlands for real estate development, everyone interested in the long-term future of Montana's wood products industry is watching for the company's next move. "Plum Creek has been changing what they do over the last few years," Rose said. "No one is sure exactly what it will all mean in the end, but it certainly could have some major impacts to mills like ours." Plum Creek is by far the largest timber company in the state. It owns 1.282 million acres of industrial timberlands in Montana and about 8 million acres nationwide. Of the 18 states where the company owns land, it has lumber mills in two. And nine of the company's 10 mills are in western Montana: four sawmills, two plywood plants, a remanufacturing facility and two medium density fiberboard mills. The company's other manufacturing facility is in Idaho. About 1,450 of Plum Creek's 2,070 employees work in Montana, where the company's gross wage payroll is \$74 million. While Plum Creek officials say the company will be in the timber business in Montana for years to come, outsiders are left to wonder. Rick Holley, Plum Creek's president and chief executive officer, said the company has a longterm commitment to Montana and its milling operations here. "We're not only the largest landowner in the state, but we're also the largest in the United States," Holley said. "Our roots are really in Montana over 50 years ago. ... We are there for the long term." The company's manufacturing plants in western Montana "are a very important part of who we are," Holley said. "When I think of Plum Creek, I think about a stud, a 2-by-4 that's purple on the end." People know that purple paint on the end means the stud is manufactured by Plum Creek, he said. "They know that's quality."

Plum Creek does, however, face the same challenges as other mills in the state. "Our biggest challenge is making sure we have an adequate supply of logs," Holley said. About 50 percent of the logs currently processed at Plum Creek mills come from its own lands. The remainder are harvested from the same federal, state and private lands on which other mills in the state depend. Through the 1990s, Holley said the company was forced to focus much of its annual harvest on its own lands as the U.S. Forest Service's timber program slowed dramatically because of environmental appeals and lawsuits. During the 1990s, there were years when nearly 80 percent of the logs needed to keep Plum Creek's mills operating came off company lands, he said. The Forest Service estimates its timber sale program in Montana will be close to 100 million board feet in 2008. That's down from 450 million board feet in 1990, Holley said. "It's challenging right now," he said. "The overall supply has changed throughout the state." Holley

knows there are worries about the company's future, especially since it began selling some lands for real estate development. Since 2000, Plum Creek has sold about 81,000 acres to Stimson Lumber Co., which has a plywood plant and sawmill in Bonner, and which continues to manage its land for timber production. Plum Creek sold an additional 112,595 acres to other parties, of which 71 percent, or 79,618 acres, were purchased by conservation buyers. The company put an additional 149,500 acres into conservation easements.

Plum Creek holds some of the most productive timberlands in the state of Montana. The company once supplied nearly all of its milling needs from its own land - and still had enough to sell to other mills or export out of state. Now it supplies something less than half of its own milling needs from its own lands. That fact worries people like State Forester Bob Harrington, who is concerned about Montana's long-term timber supply. "They have been harvesting those lands in excess of sustained yield for years," Harrington said. "I think that's pretty common knowledge now." As the company sells some of its lands to develop as real estate, Harrington said there will be a point where Plum Creek's 1.282 million acres will be gone as far as timber harvest is concerned. That could have long-lasting ramifications for the state's wood products industry. "There is a tremendous concern out there about where all of this is headed," Harrington said. "People are concerned about the future of companies like Stimson as well as Plum Creek." Montana has about 1.5 million acres of industrial timberlands, most of which are owned by Plum Creek. The state has another 3.8 million acres of nonindustrial private forestlands whose owners depend on a viable woods products infrastructure to help them manage the resource on their lands. If that infrastructure disappears, Harrington said the incentive for owners of those nonindustrial timberlands could vanish along with it. For many, the only other option would be to sell their property for real estate development. "Without a viable wood products industry in the state, we could see these family forest landowners converting their properties over to real estate as well," Harrington said. "We have to have a forest base to support any type of wood products infrastructure and we need to have a market for those wood products to maintain our timber base." "It's all closely connected," he said. "If you lose one piece, it can all unravel." Harrington's worries don't stop there.

Since the Montana Department of Natural Resources and Conservation has direct responsibility for providing fire protection to most private and nonindustrial timberlands, Harrington also isn't thrilled about the idea of new subdivisions springing up in the woods all around western Montana. "Wildfires are 50 percent to 60 percent more expensive to fight in the wildland-urban interface," he said. "They also create some additional danger for our firefighters." Fighting wildfire in areas dotted with homesites requires different tactics, lots more firefighters and additional equipment, Harrington said. "Instead of being able to back off to a county road and burn out an area, firefighters have to build new lines and try to protect homes," he said. "With the current predictions that we're in a hotter and drier cycle that may last decades, there will be fires that we can't catch and we're going to lose more homes." Last summer, the Derby Mountain Fire in south-central Montana burned 100,000 acres in a single night and 25 homes were lost. Harrington said it could have been even worse. There were 200 homes in the fire's path. Firefighters' quick actions helped save about 300 homes in a fire near Billings. "Without some help from the weather and some good firefighting, we easily could have lost hundreds of homes in that fire," Harrington said. In places like Seeley Lake, Plum Creek's change in management emphasis has been felt

far deeper than just the loss of logs coming into the mill. "Our community has lost as well," Rose said. "At one time, there were 10 Plum Creek foresters living here. They all had families and they were very active in our community. They were good friends to many of us and now they're all gone but two." "Those people had an important social impact here in a very positive way," he said. Plum Creek once had a large refrigerated warehouse near Seeley Lake where it stored thousands of seedlings. Rose said the company used to plant thousands of acres every year. "There was just a much higher level of activity than what there is now," he said. "There's less harvesting and fewer people. It's really too bad."