

## Issues Related to the Closure of SPI Sawmills in Camino, Sonora, and Quincy

In March, 2009, Sierra Pacific Industries announced that it will close three sawmills in California. There are a number of reasons for these closures, but they fall into three categories -- extremely low lumber prices, a costly and difficult regulatory environment, and litigation. These closures will result in the loss of 460 direct employees plus about 940 additional jobs (U.S. Forest Service multiplier of 1.63 in Plumas County and 2.25 in Tuolumne and Calaveras Counties). The closure of these plants is part of a continuing downward trend in California's milling capacity.

### **The Problem**

- Lumber prices have fallen dramatically, and are at levels not seen since 1991 (see chart).
- Litigation of national forest timber sale projects in California has put nearly 400 million board feet of timber on hold – enough to run five average size sawmills for a year.
- The U.S. Forest Service's timber sale program achieved only 54% of its Fiscal Year 2008 target for sawtimber, fuelwood, and biomass. Sawlog sales totaled about 115 million board feet. The fall-off in awarded volume was primarily due to direct litigation, or sales withheld by the agency because of litigation.
- Costly and cumbersome permitting requirements (Timber Harvest Plans) in California have reduced the amount of private timber for sale. The average cost of a THP to landowners is \$40,000. The state spends an additional \$60,000 reviewing those plans.
- Imports of lumber into California still continue to take market share. The state imports about 75%-80% of the lumber used here. These imports are from other states and Canada.
- These factors have led to an overall reduction of milling capacity in California. Since 1990, nearly 70 percent of the state's sawmills have gone out of business. Timber harvest on California's public forestlands is down 90 percent, and down 60 percent on private forestlands (see chart).

### **What's Needed**

- The U.S. Forest Service must be allowed to manage the national forests of California in a manner that will enhance forest health, improve carbon sequestration, and produce raw materials for mills and biomass electric generation plants. This can be done without compromising environmental values. In addition, better management will reduce the threat of devastating wildfires.
- The California State Legislature and the Governor must undertake initiatives to help timberland owners in the state to manage their lands productively. This includes lengthening the term of Timber Harvest Plans to 10 years from the current three-year maximum to accommodate market price swings, and providing an opportunity for landowners to file one-time

permits on large areas for up to 20 years. These broader permits would be voluntary and replace the THP process. They would incorporate environmental protection measures, cumulative effects analyses, and public input and be considered the functional equivalent of an environmental impact report under the California Environmental Quality Act.