

COMPETITIVE POSITION OF THE MAINE PAPER INDUSTRY: BENCHMARKING AGAINST COMPETING REGIONS

Lloyd C. Irland¹ and Robert Rice²

¹The Irland Group, 174 Lord Road, Wayne, ME 04284 and Yale University
irland@aol.com

²Department of Forest Management, University of Maine, Orono, ME

The North American paper industry has endured a painful period of restructuring since the late 1990s. Global economic forces, such as emerging production in tropical regions, adverse shifts in exchange rates, and maturing markets in North America and Europe, have prompted mill and machine shutdowns, investments to improve quality and shift grades, and significant industry consolidation. Despite rising demand until the late 90s, the U.S. industry ceased to build new mills a long time ago. The last greenfield papermill based on virgin fiber was started up in the South in the late 1980s. Just last year, the first newsprint mill built in the South (1939) was shut down.

As one of the original centers of modern papermaking in North America, Maine has a long history in this industry. Local forces have been at work as well. Maine mills went through a major period of reinvestment during the late 1970s through the early 80s. As machine sizes and speeds in world class new mills increase, Northeastern mills fall slowly behind the mills at the low end of the cost quartiles for their grades.

What are the implications of this situation for Maine? How is its competitive position changing? As one contribution to this question, with a U.S. Forest Service grant, we are exploring the issue in some detail. This poster offers a preliminary report. We are benchmarking the Maine industry against Quebec, Wisconsin, and Georgia, which produce large volumes of competing paper grades.

One major challenge is that complete data on the fiber balance of the paper industry by state or province does not exist. We can identify wood and chip usage fairly well, but market pulp and recycled fiber data are not available. Further, determining delivered prices for the major fiber sources is next to impossible. As a result, a precise accounting for differences in fiber cost between competing regions is elusive. We are comparing fiber supply expansion potential between these areas, and find that in both Georgia and Wisconsin, ability to expand supply significantly at recent cost levels is minimal, though this could change in coming decades in Georgia. Quebec is expected to see a significant decline in harvest levels on its Crown lands, though precise numbers are not available.

We are also comparing labor costs, power costs, and other cost elements as part of our analysis. At present, it appears that the most significant competitive threats will come from upgrading machines in Quebec and Georgia to produce printing and writing grades, and from imports.