

Wood pellet sales take off as demand rises, supply tightens

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HOLLAND -- Fifteen years ago, Kevin Geertman had to beg his customers to buy wood pellets.

This summer, the first semi-truck load was gone in two days.

By summer's end, the co-owner of Cosy Warm Hearth & Patio in Holland sold 127 tons at about \$190 a ton and can hardly keep up with demand.

With heating costs expected to soar this winter, demand for pellets and pellet-burning stoves is going through the roof, and supplies are tightening.

Home Depot, the nation's largest home improvement chain, reported recently pellet sales in its northern U.S. division soared 3,300 percent over last year.

Prices are following demand.

The price per ton is up \$10 from last year, to \$195, at the Sand Lake Feed & Supply store in Sand Lake, said owner Doug Guiles.

That has not slowed demand. He had two semi-truck loads of pellets, 22 tons each, on back order last month. A ton fills 50 40-pound bags.

By the numbers

For heating power, 1 ton of wood pellets equals:

- 120 gallons of heating oil
- 170 gallons of propane
- 16,000 cubic feet of natural gas
- 4,775 kilowatts of electricity

Heating with wood pellets, at \$200 a ton, is the same as paying:

- \$1.67 per gallon for oil heat (Local market price is about \$3.90 per gallon)
- \$1.18 per gallon for propane (Local market price is about \$2.69 per gallon)
- \$12.50 per 1,000 cubic feet for natural gas (DTE is charging \$11.36 per 1,000 cubic feet, plus distribution charges)

SOURCE: Biomass Energy Resource Center, Wood Pellet Heating Guide Book

"The price of (other fuel) is so astronomical right now," Guiles said. "The average customer is buying 4 to 5 tons for the entire heating season and will probably burn a bag a day."

Demand also is ramping up work at one of the state's newest pellet manufacturers. Michigan Wood Pellet Fuel LLC in Holland, opened last year, said it is adding a second shift and doubling its work force to about 20.

The plant can produce 8 to 9 tons an hour and 50,000 tons of pellets annually.

The push to go green increased statewide last year as Michigan State and Michigan Tech universities teamed up with Massachusetts-based Mascoma Corp. in announcing plans to build a cellulosic ethanol plant in the Upper Peninsula.

The plant aims to generate enough ethanol, from mostly wood chips, to be substituted for imported oil. Pellet fuel also is created from the leftover wood chips.

Supply and demand

Local experts expect pellet and stove shortages this winter.

"We have certainly seen an increase in demand because of fossil fuel prices -- record demand," said Ed Close, Michigan Wood Pellet Fuel spokesman. "It's really taken off in the past four or five months."

The Three Chimneys Fireplace & Patio store in Byron Township is having a hard time keeping pellet stoves in stock, spokesman Dean Hepinstall said.

"Right now in our showroom, I don't have a lot to display," Hepinstall said.

"Our dealers are buying up what's in stock. As soon as we get them, they're going out the door. It's caused a little bit of a frenzy here in the month of August."

Interest is intensifying as the heating season gets closer. The Department of Energy expects heating bills to be 27 percent higher this winter for people who heat with oil and 41 percent higher for those who heat with natural gas.

"People are really starting to see these pocketbook issues," said David Gard, energy program director for the Michigan Environmental Council. "Fundamental economics are not going to be taking us back to an era of cheap fossil fuel. Those days are gone."

Heat for the office

In Coopersville, Robert Stevenson heats his office at Basic Heat & BBC with a pellet stove, which he says saves 50-60 percent on heating.



Press Photos/Mark Copier Michigan Wood Pellet Fuel plant employees Ryan Bellah, left, and Mike Kars load 40-pound bags of wood pellet fuel onto a shipping pallet.

"It's only \$400 for the whole season, as opposed to \$400 a month for other fuel," Stevenson said. "I haven't bought any fuel oil in 4 1/2 years, and I haven't had to rely on my furnace for any heat."

Pellet stoves generally cost \$1,700 to \$3,000 and installing it yourself can save about \$400.

"I had a customer who came in who was heating his home for 12 months at \$305 per month," Geertman said.

"This customer is going to put a pellet furnace in that will heat for \$225 per month for six months -- that's a \$75 to \$80 savings."

The Pellet Fuels Institute, a Virginia-based trade association, reported shipments for stoves and stove inserts have increased 212 percent in the second quarter over last year.

Demand is peaking in the Northwest and Northeast, where heating seasons are the longest, said association

spokeswoman Deidra Darsa.

And because wood is a renewable source, it makes pellets a popular fuel, she added.

"The wonderful thing about wood and pellets is we're not going to run out of it," Darsa said. "Trees are taken down, but forests are managed and replanted."

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Coarse wood chips are dumped into a hopper that feeds into a dryer before the wood is milled at Michigan Wood Pellet Fuel LLC in Holland.

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