



Pellet stove challenge: keeping up with demand

(Oct. 6) With the U.S. Department of Energy estimating Americans will spend 20 percent to 25 percent more to heat their homes this winter, many people are turning to pellet stoves as a cost-saving alternative. But they may face another problem.

Not only has the increased demand led to a shortage of certain brands and models of pellet stoves, but the wood pellets used to fuel these stoves are in short supply as well. Rising fuel prices sent sales of both the stoves and the pellets through the roof in the spring, leaving pellet manufacturers scrambling to catch up with current demand and what may come if a cold winter strikes.

“There was a lot of demand early this year, and by August, our current product was sold out through the end of the year,” said Justin Moran, director of sales and marketing for Woodstone USA, a Hingham, Mass.-based company that owns Michigan Wood Pellet Fuel of Holland, Mich. This mill produces 2,000 tons of pellets a month and wholesales to both small fireplace stores and the big boxes. “We added a third shift, so by mid-October we’ll be operating 24 hours a day, five days a week, and by December, 24/7.”

According to the Hearth, Patio and Barbecue Association (HPBA), shipments of pellet stoves were up 137 percent in the first half of 2008 over the same period in 2007. Don Johnson, director of market research, said that when the consumer perceives that fuel costs are rising, pellet stove sales are the first to go up -- more so than wood-burning stoves, which involve more cleanup. “In the Northeast, for example, people are paying to fill their oil tanks right now and are saying, ‘Oh, my gosh, look how expensive that is,’ ” he said. “This leads to dramatic increases in sales of pellet stoves, and the demand for pellets goes right along with that.”

New England Wood Pellet, a pellet manufacturer based in Jaffrey, N.H., reports that in mid-May, pellet orders suddenly increased 200 percent and rapidly depleted inventory. “Around April, we saw the skies open, and the demand for pellets throughout New England spiked dramatically,” said Charlie Niebling, the company’s general manager. “It’s tied to consumer anxiety about how they’re going to heat their homes next winter. We’ve seen spikes, but never as dramatic as this. And no industry, no matter how big and sophisticated, could have responded to that kind of increase.”

The pellet supply problem stems from increased consumer demand plus a slowdown in lumber production has led to less sawdust — the primary material

used to make pellets.

Saratoga Fireplace and Stove in Saratoga Springs, N.Y., sells both pellet stoves and pellets. According to Mike Thornton, the store manager, there are more than 50 people on the store's waiting list to get pellet stoves, and certain models will not be available until next year, he said. As for pellets, sales have more than doubled in the first nine months of 2008 over the same period last year, but Saratoga Fireplace and Stove has been able to keep up with demand thus far.

"We draw from four or five different pellet manufacturers, which gives us access to more pellets," Thornton said. "On the other hand, big boxes like Home Depot and Lowe's make corporate purchases at the beginning of the season for all of their stores. When they run out, they run out."

The hardware co-ops are also struggling to keep their stores stocked with wood pellets. Lori Bossmann, vp-merchandising, marketing and advertising for Ace Hardware, told co-op members at the recent fall market in St. Louis that she expected there to be a shortage of pellets this winter. And True Value's seasonal department confirmed the co-op is also experiencing a shortfall, mainly in the Northeast region.

Don Kaiser, executive director of the Pellet Institute, said that rather than a nationwide shortage of pellets, it's been more of a tightening in the New England and mid-Atlantic markets, where many pellet producers are based. Kaiser also noted that the shortage is more in the area of premium pellets, which have a lower ash content -- the kind most U.S. customers prefer. Standard grade pellets with higher ash content are more plentiful and will become more accepted, even though there's more cleaning involved.

"The shortage of raw materials makes it more difficult, but folks are adjusting by using other materials like wood waste and dust," he said. "Logistically, other areas of the country have pellets, but once you figure in shipping costs, it becomes less affordable."

Overall, Kaiser believes the industry is in good position to rebound and meet much of the demand expected for winter. "After Katrina, there was a rush to buy pellet stoves, and a lot of people got into the market then, and existing producers expanded their operations," he said. "I think a lot of the buying we saw early in the season allowed our producers to catch up. Had this been later in the season, then I think it would have created more of a shortage issue."