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Old Port Profits With New Exports



By [JOEL MILLMAN](#)

A 100-year-old lumber port, which hit bottom recently due to the housing bust, is feasting now on China trade. Grays Harbor, WA touts itself as "one day closer to Asia" than any of its U.S. rivals. WSJ's Joel Millman reports. Photo: Leah Nash

ABERDEEN, Wash.—Shifting global trade put this Pacific-coast city into a steep decline two decades ago, when Asian buyers began replacing U.S. timber with less-costly logs from New Zealand and Russia. Now, the 100-year-old Port of Grays Harbor is bouncing back, thanks to China's surging demand for other U.S. products.

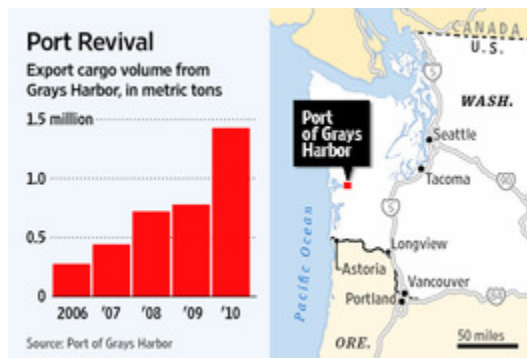


Leah Nash for The Wall Street Journal

Plant official Sid Watts is shown last month at the Imperium biodiesel facility.

"We had periods, such as 2003, when just eight vessels came in all year," said Gary Nelson, executive director of the port, which is averaging six dockings a month by ocean-plying freighters this year. On a recent blustery weekday, the port's crowded freight yard hummed with activity as mechanical arms swung lengths of timber into ships' hulls, while rows of shiny new Jeep Rubicons lined up for Pacific crossing.

To pull out of its spiral, Grays Harbor embarked on an ambitious redevelopment plan in 2007, building on a couple of key advantages. Less than a mile from open sea, Grays Harbor is one of the coast's very few deepwater harbors north of San Francisco—among them the smaller Coos Bay and Astoria, Ore., ports—which allows it to tout itself as "one day closer to Asia" than inland spots like Tacoma, Seattle or Longview, Wash. Grays Harbor officials also call it North America's nearest port to China.



The port decided to diversify away from timber and sought federal and state financing to improve its infrastructure. About \$30 million in public funding has gone into rail and road upgrades, the largest chunk coming through a local bond issue. Port officials say those investments have encouraged an additional \$200 million from the private sector and drummed up business from exporters of products like biodiesel, soy meal and a wood-pulp product used in everything from food processing to pharmaceuticals.

Grays Harbor values the trade that passed through here last year at \$900 million and projects \$2.2 billion in annual activity by mid-decade. Exports jumped to more than 1.4 million metric tons last year from 276,721 in 2006. Grays Harbor forecasts exports of about 1.4 million metric tons again this year, making those two years the busiest since 1988. Port finance director Mary Nelson predicts export tonnage will double to 2.8 million metric tons in 2013, when expansion work is completed.

Grays Harbor—a fraction of the size of big West Coast ports like Oakland and Los Angeles—faces plenty of competition, of course. Tacoma can handle much more capacity on its wharves and can promise shippers much more rail capacity to get goods into ships' holds. The China trade is also encouraging other ports to raise funds for upgrades.

But this region sorely needs the added traffic at Grays Harbor. Like a lot of Pacific timber producers, coastal Washington and Oregon have been hammered by the U.S. housing bust. Just near Aberdeen, five sawmills have closed since 2007. In May, another large employer, Grays Harbor Paper, went out of business, taking 240 jobs.



Leah Nash for The Wall Street Journal

Logs that are set to be shipped to Asia fill the port one day in July.

After peaking at 16% a year ago, unemployment hovers today at about 13%, among the worst counties in the state. Signs of hardship abound: empty storefronts, derelict trailer parks and a scrap yard full of junked fishing boats.

Work at the port is picking up some of the slack.

"Casual" longshoremen, many hired from the ranks of unemployed left with the sawmill closings, get day work here starting at \$18 an hour, said veteran stevedore Scott West. Foremen, he said, can make \$250,000 annually, thanks to round-the-clock demand and overtime pay.

There are other signs of renewal. In July, Cosmo Specialty Fibers Inc. loaded its first shipment of viscose pulp onto the Apalis Arrow, a freighter bound for China. Cosmo Specialty Fibers has one of only a handful of U.S. plants capable of converting cellulose into "dissolvable" pulp and the only one close to Pacific port shipping lanes.

The plant's owners—a consortium led by private-equity investor Gores Group—sunk more than \$100 million into an old pulp mill that Weyerhaeuser Co. mothballed here in 2006. The 200 employees who now work for Cosmo include many from Weyerhaeuser's work force, doing similar work from before the shutdown: boiling hemlock chips into sheets of bleached fiber that a wide range of Chinese manufacturers crave.

"No one has invested in pulp and paper in these parts in years," said Mike Entz, the Alabama native who runs the Cosmo plant.

Gores Group executive Tim Meyer says the plan to rejuvenate the idle plant was spurred by soaring world-wide demand for cotton, especially from China. Dissolvable pulp from Washington is a cheaper replacement for cotton fibers in rayon made in China, as well as in cigarette filters for the world's biggest consumer of tobacco.

Global demand also has a downside, of course. Cosmo faces stiff competition for its raw material from pulp processors in China at the same time sluggish U.S. demand for sawed lumber leaves less wood residue available locally. Those supply-and-demand factors came into play in the closing of the Grays Harbor Paper mill, and ultimately could squeeze profits at Cosmo's plant.

Imperium Renewables, a Seattle start-up that makes biodiesel fuel, selected Grays Harbor for a \$90 million plant it opened on port property. "We need to bring in and ship out large volumes of liquid bulk products—three million gallons at a time," said John Plaza, Imperium's founder and chief executive.

Across a stretch of newly laid rail sidings is another newcomer: Ag Processing Inc., the U.S.'s biggest soybean co-operative, which also selected Grays Harbor as its link to Asia. Towering over the docks is a concrete six-pack of storage silos. Grays Harbor moved more than 800,000 tons of soy meal last year, bound mainly as feed for Chinese pork and poultry farms.

Last year, Chrysler started shipping Asia-bound car exports through Grays Harbor instead of the traditional route: out of Baltimore then south through the Panama Canal into the Pacific Ocean. Offering greater speed to meet booming Chinese demand, Grays Harbor beat out several West Coast ports for the three-year Chrysler contract.

"It was a combination of rail rates, port rates and ocean accessibility," explains Stan Gabara of Pasha Automotive Services, Chrysler's car hauler.

Mr. Gabara says the 40,000 Chrysler vehicles slated to leave this year through Grays Harbor are more than double last year's cargo, and maybe one-tenth of what the port could one day handle. He says demand could soar on passage of a Free Trade Agreement with South Korea, which would be a boon to Grays Harbor.

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