Market Conditions

Wood and paper products markets in 1999 were substantially improved over 1998 (Figure 1). With a stronger than expected U.S. economy and modest improvements in the global economy, wood and paper product prices increased dramatically during the first half of 1999. In July 1999, lumber prices were near record levels and 40 percent higher than they were in July 1998. Lumber and plywood markets remained extremely volatile, and in late July, prices turned sharply downward and fell steadily into October before rebounding in November and December. On balance, however, lumber and plywood prices were 10 to 20 percent higher in 1999 than in 1998.

Figure 1
Nationwide Composite Lumber Prices Monthly, 1990-1999

Source: Random Lengths Publications.

Figure 2
Montana Forest Industry Employment, 1945-1999

1999 Employment, Production, and Sales

Driven by higher prices, value of production and output from Montana’s mills increased from 1998 levels. Total sales value of primary wood and paper products in 1999 was nearly $1.3 billion, up from $1,170 billion in 1998 (Figure 4).

Estimated forest industry employment for 1999 was 11,000 workers—down about 100 workers from 1998 (Figure 2). The decline was due primarily to the shutdown at the Darby Lumber mill in 1998. Remaining mills increased production, leading to an overall statewide rise in production.

Source: American Plywood Association; Bureau of Business and Economic Research, The University of Montana-Missoula; Western Wood Products Association.
Montana's lumber production was 1,340 million board feet (MMBF) in 1999, up from 1,304 MMBF in 1998 (Figure 3). Plywood production has increased from 618 million square feet to 640 million square feet (Figure 3). Production from paper, log homes, and most other manufactures was higher in 1999 than in 1998.

**Outlook**

Because of somewhat lower levels of U.S. housing starts, lumber and plywood producers expect slightly lower, but more stable, prices in 2000. With a still strong domestic economy and increased international demand other producers believe prices will be equal to, or slightly higher than, 1999 prices.

Timber availability remains the major concern of Montana's industry. For example, American Timber, a large sawmill in northwestern Montana, recently announced a July 2000 closure due to a lack of national forest timber sales.

Montana's increased production in 1999 was fueled in part by importing raw logs. Even with much stronger markets, national forest timber offerings have fallen to their lowest level since at least the 1940s (Figures 5 and 6). The declines are due to threatened and endangered species protection, litigation and appeals, and cumulative impacts of past harvesting, as well as U.S. Forest Service budget levels.

Nonfederal timberlands are being harvested at near or above long-term sustainable levels, and large harvest increases cannot be expected. The level of harvest from federal lands — in particular the national forests — will be a major factor in determining the size and structure of Montana's forest products industry in the foreseeable future.

Looking at the near-term, additional listings of threatened and endangered species, a nearly unworkable legal and administrative framework, and disruption of existing and proposed sales due to the roadless area review, make it likely that national forest timber sale volumes will decline further in the year 2000. This will lead to increased pressure on other ownerships and potentially to additional mill closures.

On the other hand, the fact that harvest on the national forests is only a fraction of growth, the need to undertake active management to improve forest ecosystem health, and expected high timber values, could eventually lead to increased timber harvests from national forests relative to the recent past.

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**Figure 5**

**Montana National Forest Timber Cut and Sold Volumes, Fiscal 1989-1999**

![Graph showing Montana National Forest Timber Cut and Sold Volumes, Fiscal 1989-1999](image)

**Figure 6**

**Montana Timber Harvest by Ownership, 1945-1999**

![Graph showing Montana Timber Harvest by Ownership, 1945-1999](image)

Source: USDA Forest Service Region One, Missoula, Montana.

Source: Bureau of Business and Economic Research, The University of Montana-Missoula; USDA Forest Service Region One, Missoula, Montana.