Montana’s Forest Products Industry
Current Conditions and 2008 Forecast

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Operating Conditions
A second weak year in the U.S. housing industry continued to negatively impact Montana’s wood products industry during 2007. U.S. housing starts peaked in 2005. By the end of 2007, housing starts were down about a third from that peak and at their lowest levels in the past 10 years. Meanwhile, the inventory of unsold homes, number of foreclosures, and interest rates on mortgages increased. In response to the national housing decline, lumber prices fell about 30 percent from 2005 to 2007 (Figure 1). The second half of 2007 was especially rough for Montana wood products facilities, with the July closure of the Stimson plywood facility in Bonner, Pyramid Mountain’s August shutdown during the Jocko Lakes fire, and curtailments at other mills because of weak markets and log shortages related to summer fires and ongoing reductions in timber harvests.

Montana’s timber harvest volume during 2007 was about 516 million board feet, down about 17 percent from 2006, and the lowest timber harvest since 1952—the last time statewide harvest was below 600 million board feet (Figure 2). Private land harvest, including industry and non-industrial private lands, was about 22 percent below 2006. The harvest from national forests was down about 12 percent (Figure 3), approaching the six decade low of 87 million board feet not seen since 1946. Harvest from other owners, including tribal, state, and Bureau of Land Management lands, was about 8 percent higher than 2006.

2007 Sales, Employment, and Production
Total sales value of Montana’s primary wood and paper products in 2007 decreased by about $90 million (fob the producing mill) from 2006 sales, and were about $162 million lower than 2005 sales (Figure 4). Wood products employment during 2007 was about 9,700 workers, down by 600 workers from a revised 2006 estimate of 10,300 workers. Lumber production in Montana during 2007 was about 805 million board feet, down approximately 13 percent from 2006, and 20 percent from 2005 (Figure 5).

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Figure 1

Dollars Per Thousand Board Feet Lumber Tally

Source: Random Lengths Publications.

Figure 2
Montana Timber Harvested by Ownership, 1945-2007

Million Board Feet, Scribed

Sources: Bureau of Business and Economic Research, The University of Montana-Missoula; USDA Forest Service Region One, Missoula, Montana.
The Bureau’s survey of Montana wood products industry executives indicated that 2007 was somewhat worse than expected. In late 2006, 30 percent expected 2007 conditions to be worse than 2006. About 60 percent of executives indicated that 2007 production sales, and profits had decreased from 2006, while less than 25 percent indicated 2007 was about the same.

**Outlook for 2008**

Most of Montana’s wood products industry executives are not optimistic about 2008. Roughly one-half of executives anticipate that production, prices for their products, and sales will be about the same in 2008 as 2007, and more than two-thirds expect 2008 to be the same or worse than 2007. Nearly 60 percent expect the cost of inputs to be higher in 2008, and 63 percent indicated that raw material availability is very important to their business. High fuel costs, general market conditions, and skilled labor availability were also indicated as major concerns for Montana’s wood products industry.

Weak markets and mill curtailments are expected into 2009, with housing starts for 2008 expected to be lower than 2007 levels. If markets were to unexpectedly rebound in 2008, the ability of Montana mills to respond will depend heavily on timber availability. Forest landowners, particularly the national forests, would need to increase timber harvests, conduct much-needed fuel reduction and restoration treatments, and salvage timber from areas burned in 2007 in order for timber availability to increase appreciably.