



# Great Recession Impacts on the Western Forest Products Industry

Charles E. Keegan<sup>1</sup>, Colin B. Sorenson<sup>1</sup>, Todd A. Morgan<sup>1</sup>, Steven W. Hayes<sup>1</sup>, Jean M. Daniels<sup>2</sup>

<sup>1</sup> The University of Montana Bureau of Business and Economic Research  
Forest Industry Research Program

<sup>2</sup> USDA Forest Service Pacific Northwest Research Station  
Goods, Services, and Values Program

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The University of  
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BUREAU OF  
**BUSINESS**  
AND ECONOMIC  
RESEARCH

# Who we are & what we do



**Research branch of The University of Montana  
School of Business Administration**

- **Regional economic analysis**
- **Survey research**
- **Industry analysis**
  - **Forest industry research**

# Forest Industry Research



- 1. State-level industry analysis**
- 2. Logging utilization studies**
- 3. Resource Planning Act Assessment & Timber Products Output database**
- 4. Quarterly Montana reporting**
- 5. Outlook Seminars & Other projects**

# Industry Analysis



- **Rocky Mountains & Pacific Coast**
- **Describe industry structure, capacity, condition, and changes**
- **Track wood fiber from the forest through primary processing**
- **Associate key economic indicators**

# Objectives



- Describe market conditions and some other factors shaping industry in the West
- In particular, the recent decline and its impact on production, harvest, value of output, and the size and structure of the industry



# The West



# Recent Market Conditions



- **2003-2005**
  - Lumber consumption at record levels
- **2006-2009**
  - Housing starts tumble...



# Recent Market Conditions (cont)



- **2010–2011**
  - “Demand for lumber in the U.S. at the lowest level in modern history”
  - “Recession ended in 2009 – who knew?”
  - Dramatic increases in exports to China
  - Modest rebound in housing



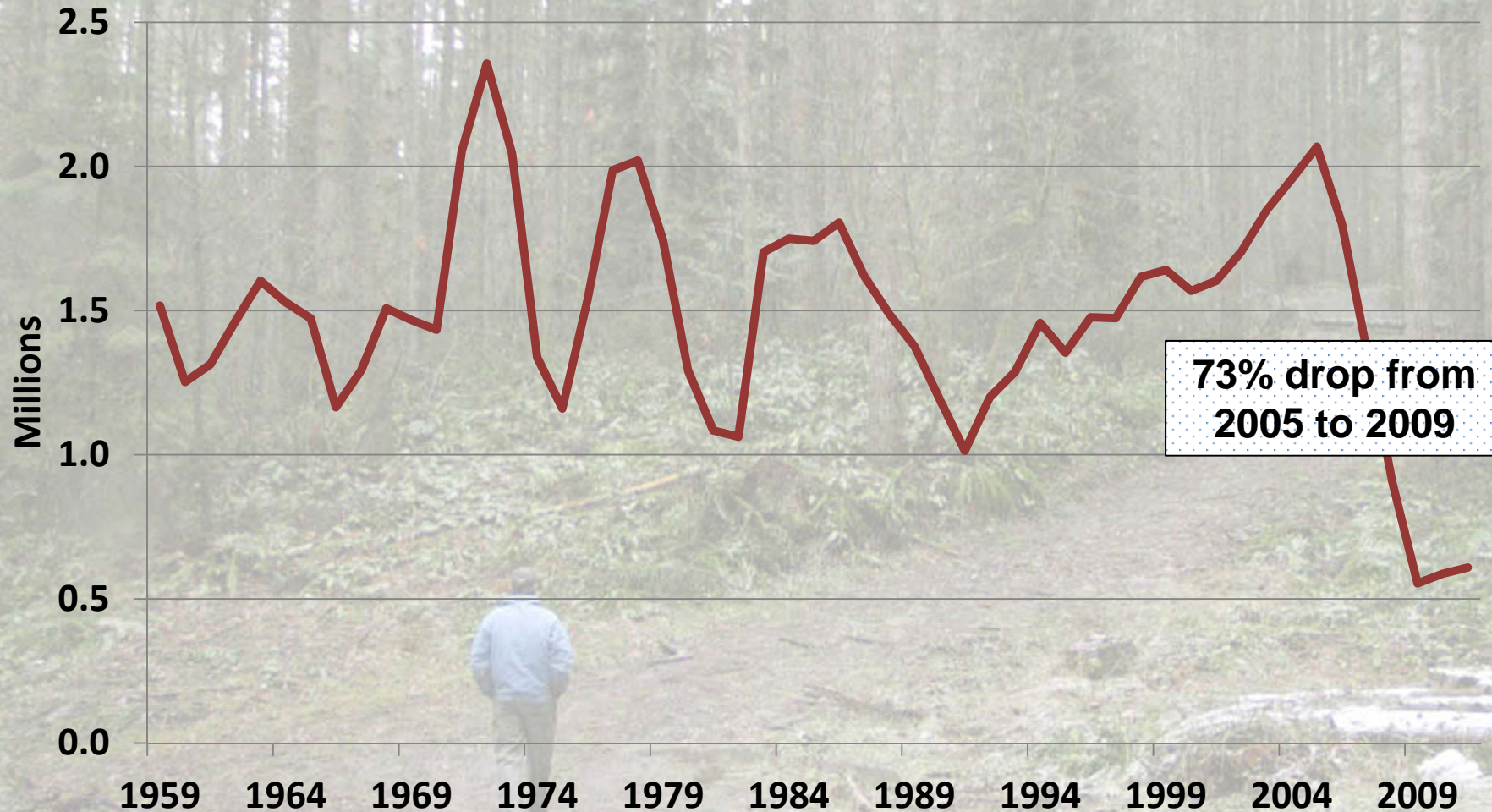


# Impact on Industry: “Dreadful”



- **Curtailments at virtually every major wood products mill in the West and numerous permanent closures**
- **Forest products industry employment dropped by over 70,000 in the West between 2005 and 2010 (half of the losses in OR/WA/MT/ID)**
- **Permanent closure of 30 major mills**

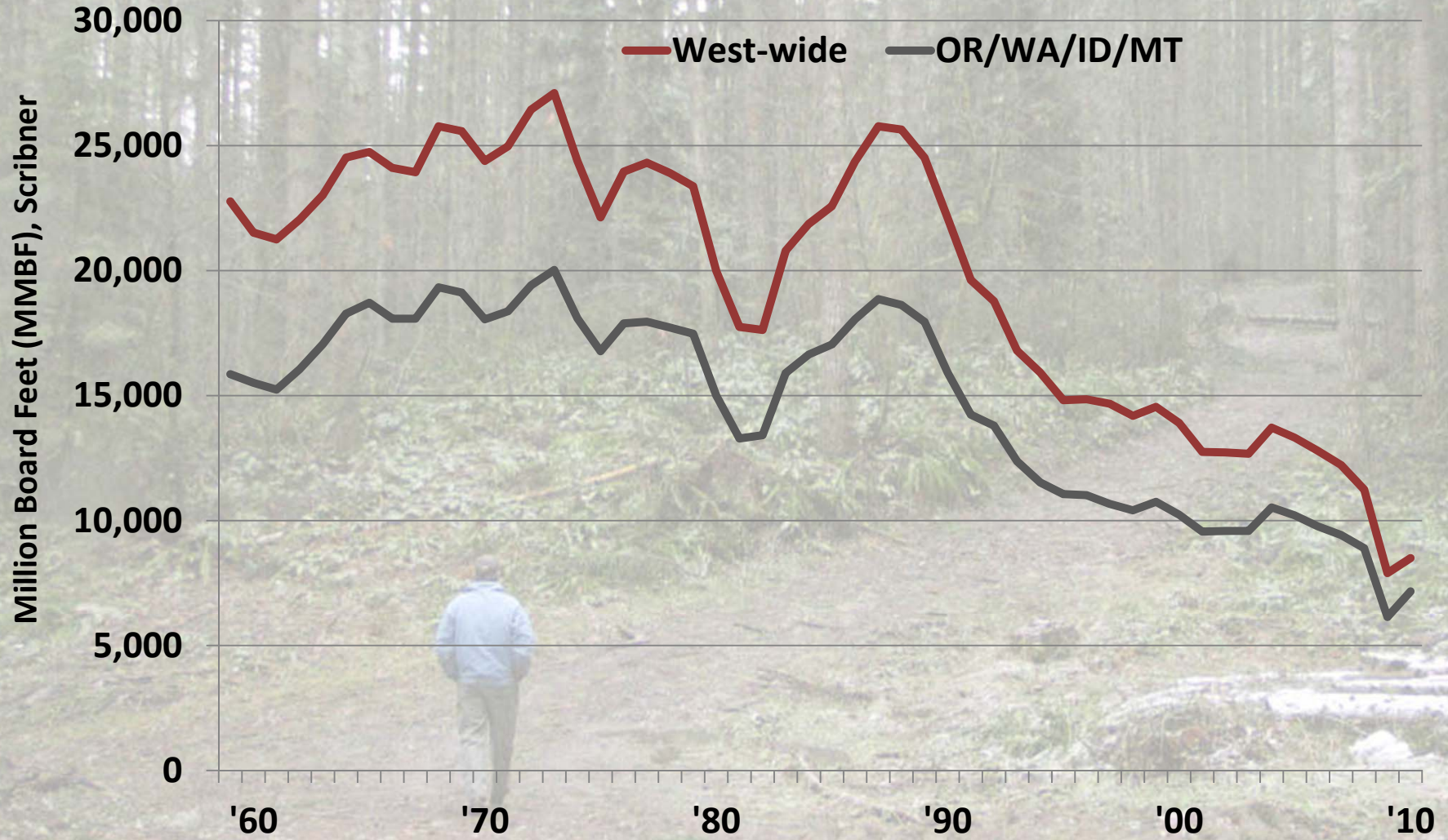
# U.S. Housing Starts



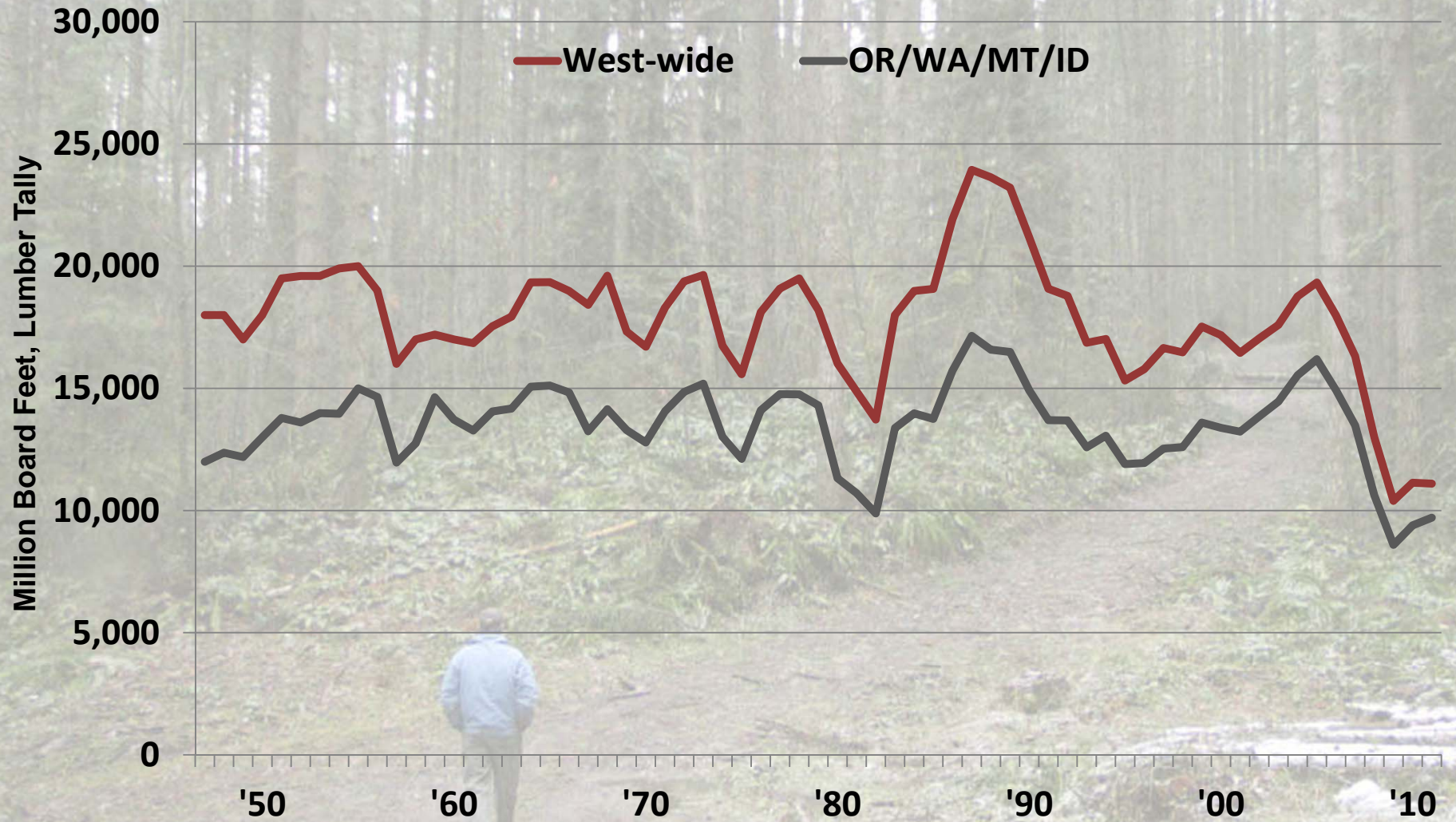
**73% drop from  
2005 to 2009**

Source: U.S. Census Bureau

# West-wide and OR/WA/ID/MT Harvest



# West-wide and NW States Lumber Production

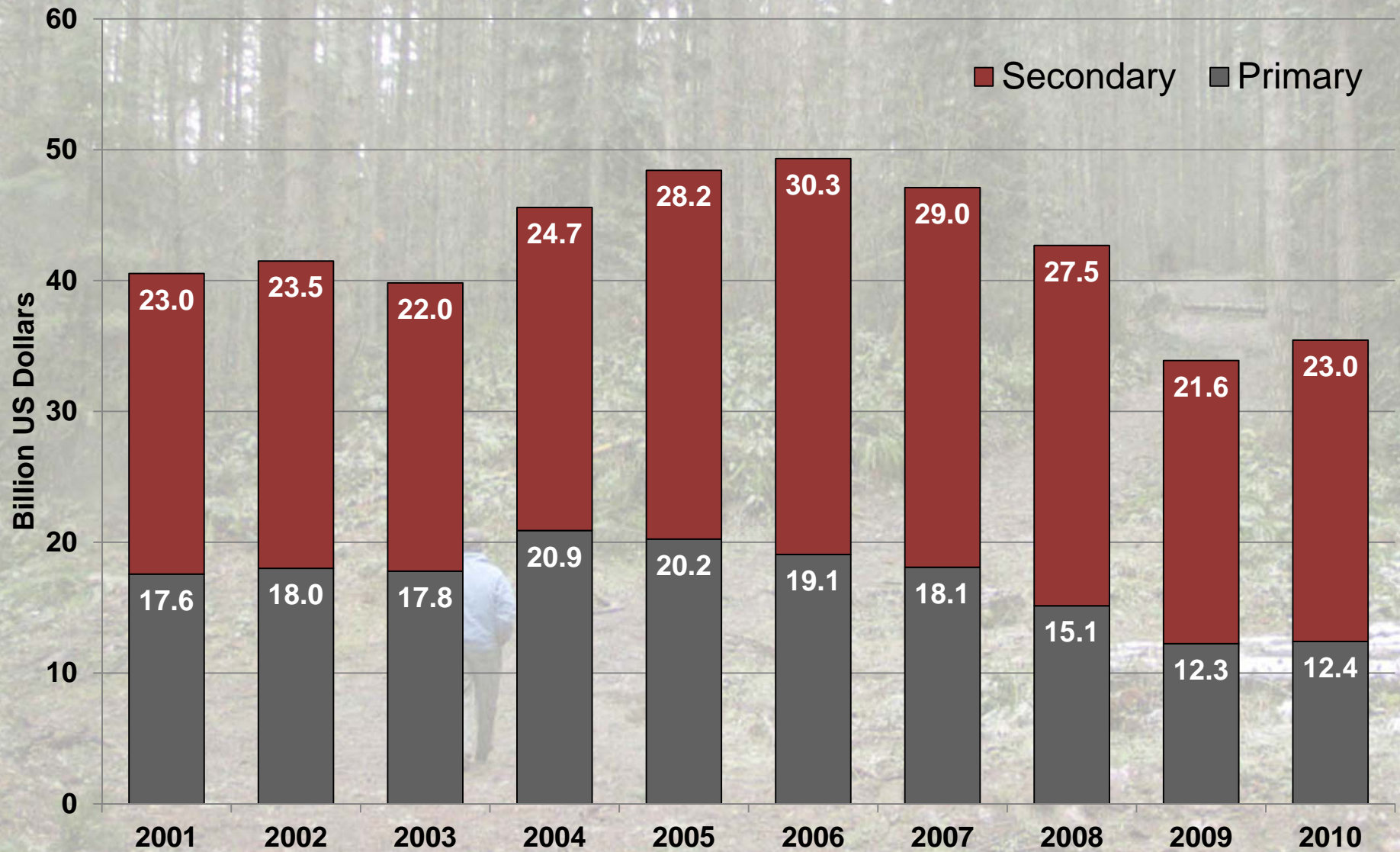


# Nationwide Composite Lumber Prices Monthly, 2000-2012

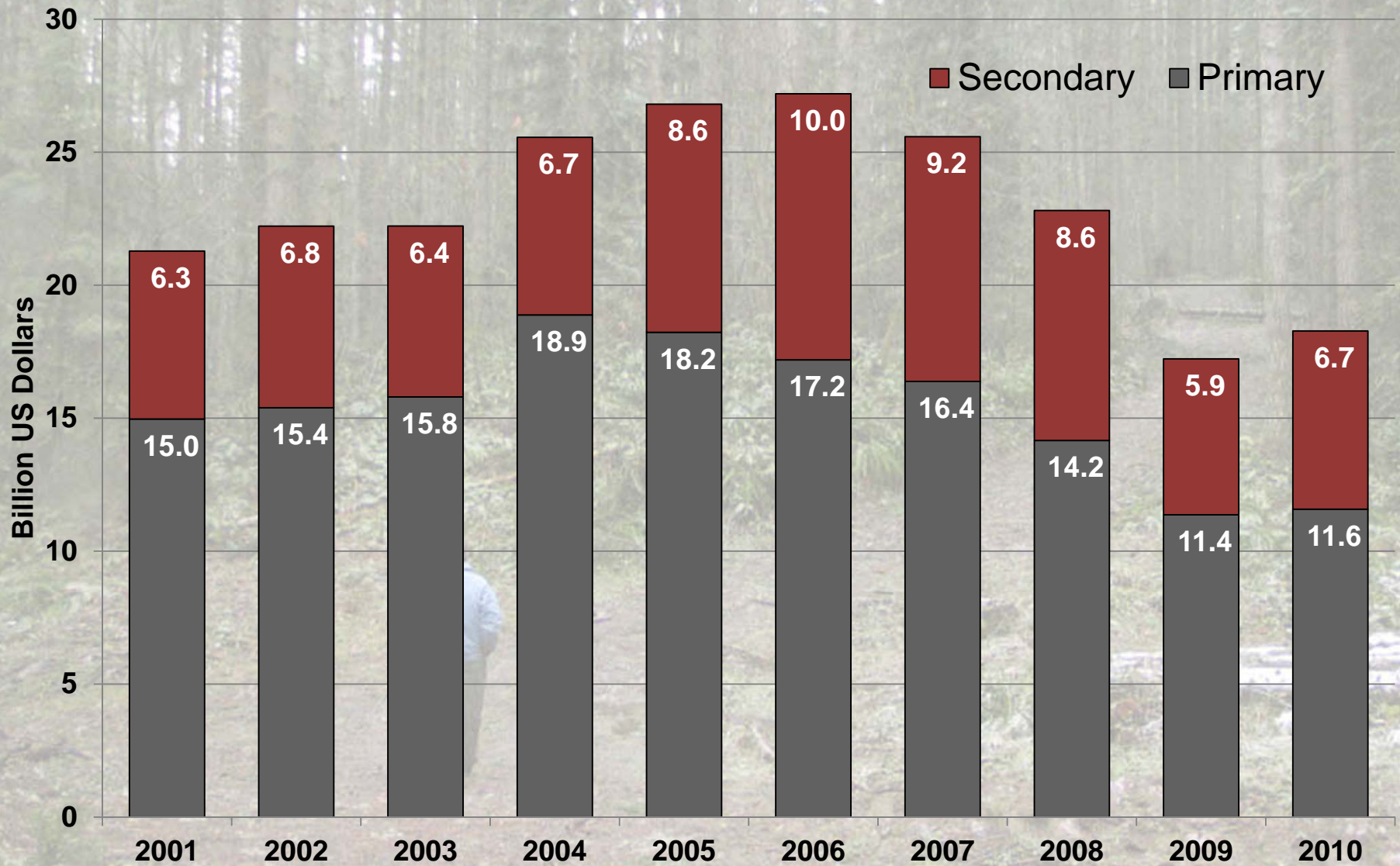


Source: Random Lengths

# Western Forest Products Industry, Primary and Secondary Sales Value



# OR/WA/ID/MT Forest Products Industry, Primary and Secondary Sales Value



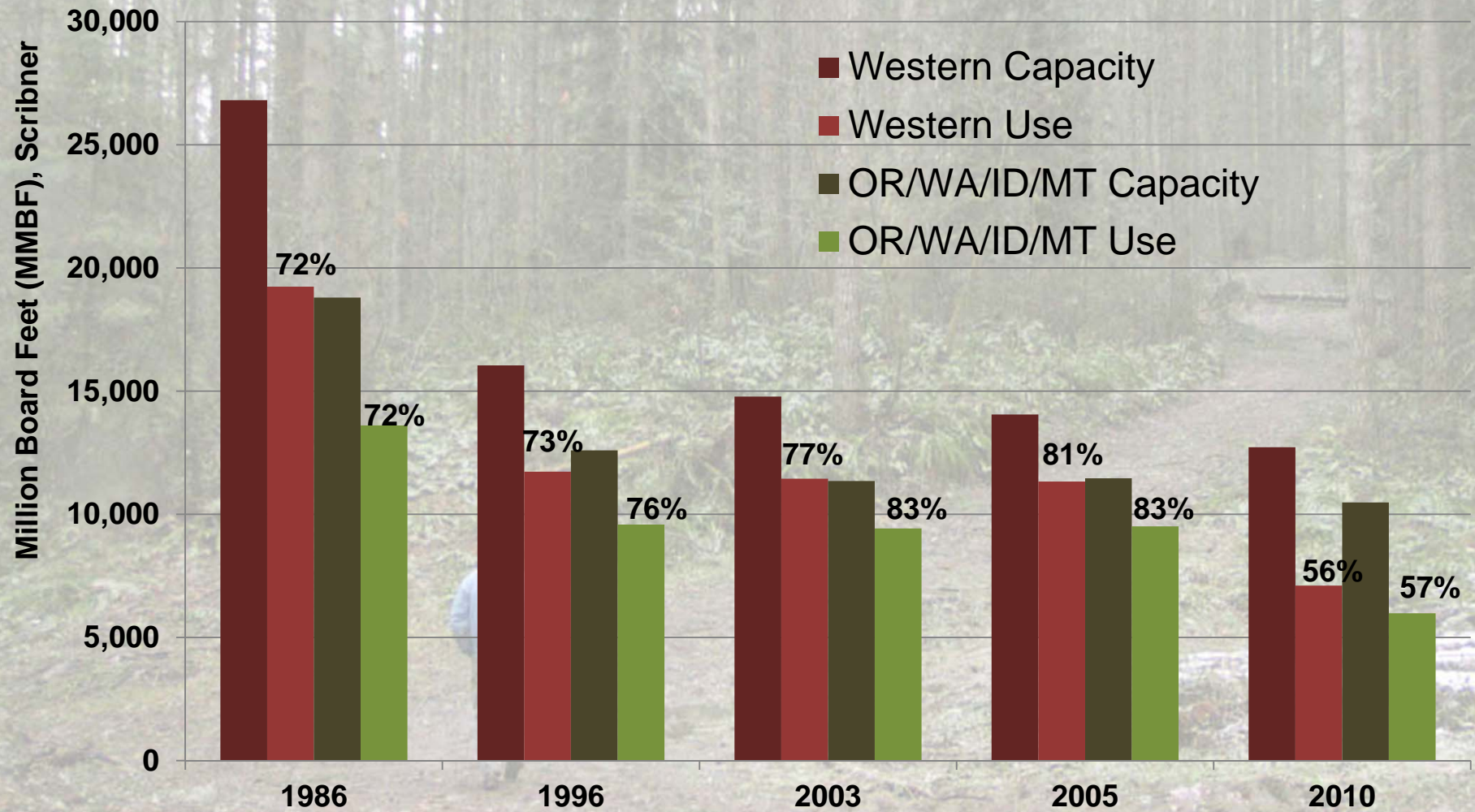
# Timber-Processing Capacity



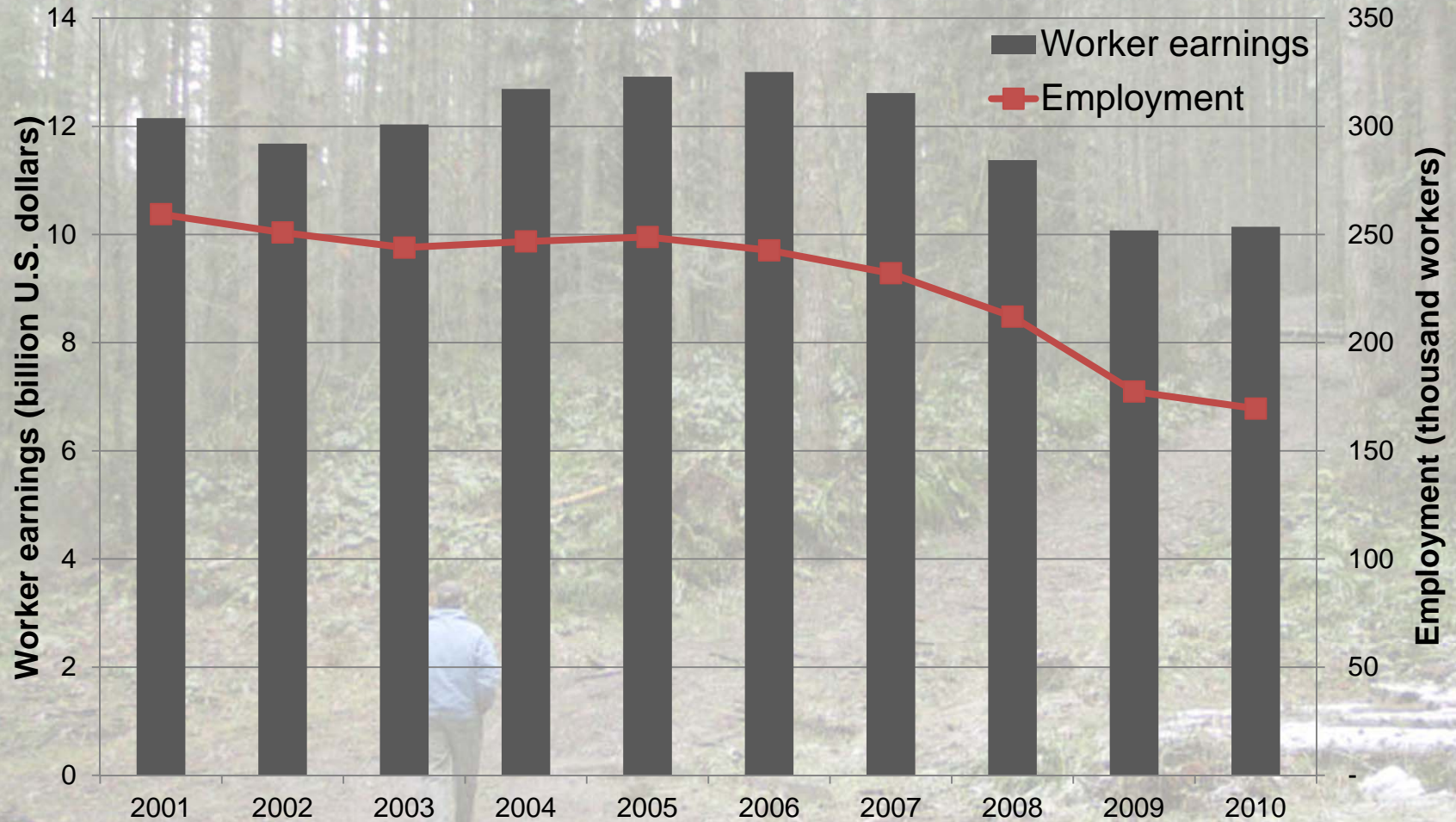
- Volume of timber that could be used annually by existing timber processors, assuming firm market demand and sufficient raw material availability.
- Capacity is expressed in common units of timber input; this is estimated based on capacity expressed in units of output and recovery factors.



# Western States Timber-Processing Capacity and Timber Use

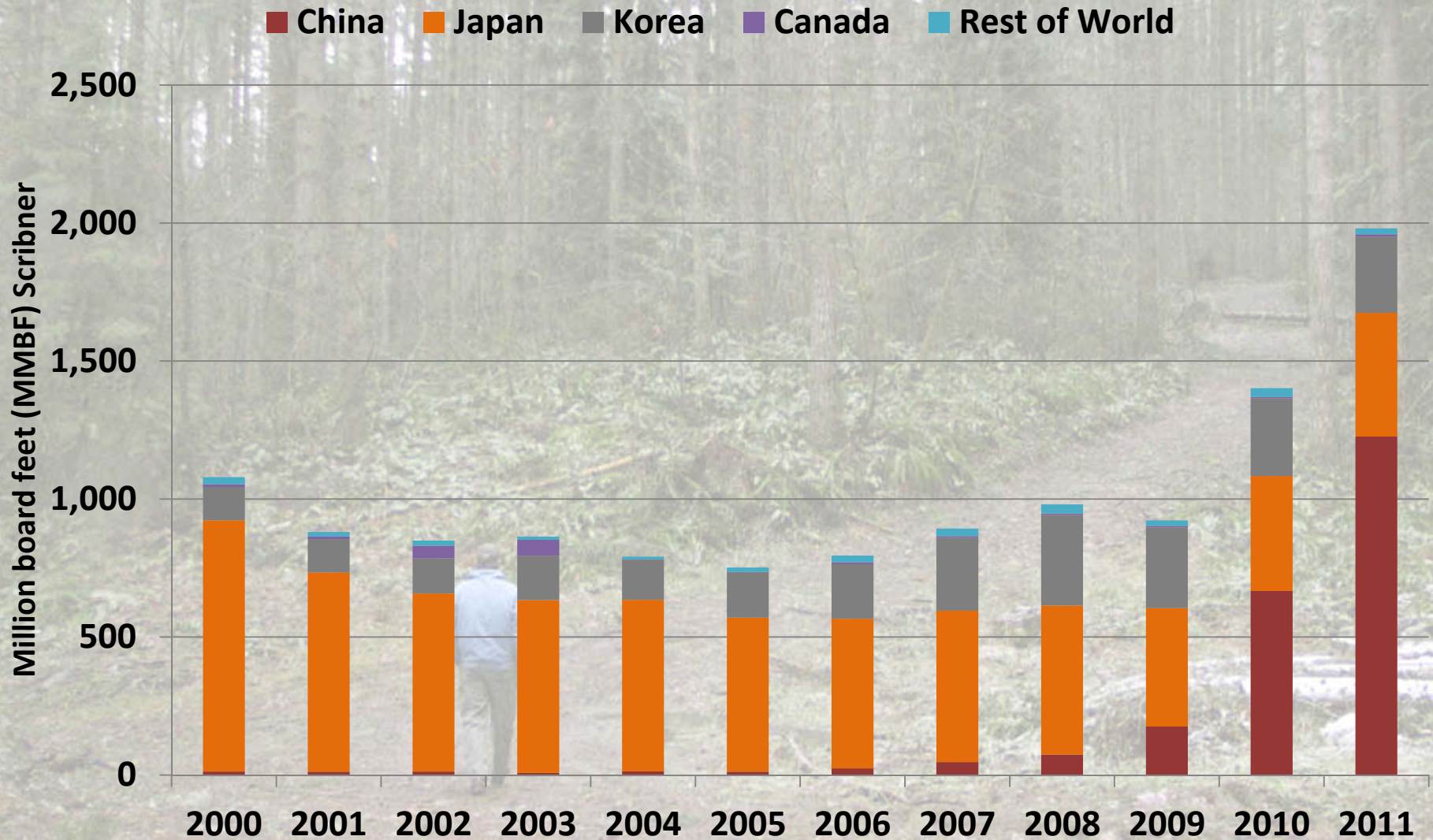


# Western Forest Products Industry Employment and Earnings



Source: Bureau of Economic Analysis; Bureau of Labor Statistics

# Western Softwood Log Exports



# Outlook



- **Increased product consumption in 2012-2013 but housing still well below the level of long term demand**
- **Extended weak market will likely lead to additional permanent closures**
- **Low capacity utilization - opportunity to increase production quickly when markets improve**



# Publications

Brad Smith and Rich Guldin



## The Forestry Source

News for forest resource professionals published by the Society of American Foresters

January 2012. © The Society of American Foresters, 2012 ([www.eforester.org](http://www.eforester.org))

### Forest Sector Reeling During Economic Downturn

By W. Brad Smith and Richard W. Guldin

Forest products industries in the United States have reacted to changing market situations as economic conditions have changed since 2007. Mill closures and job losses throughout the forest-products sector have swept the nation, often with significant local impacts. We have consolidated and analyzed data collected by the US Forest Service's Forest Inventory and Analysis (FIA) program and Forest Products Laboratory (FPL), the US Department of Commerce, and other sources to provide an overview of the recent trends and the current state of the forestry and wood-processing sectors of the U.S. economy. Looking forward to an economic recovery, the future will be different for the forest industry sector and for forest management than existed prior to 2007.

Since the economic downturn began in 2007, there have been two

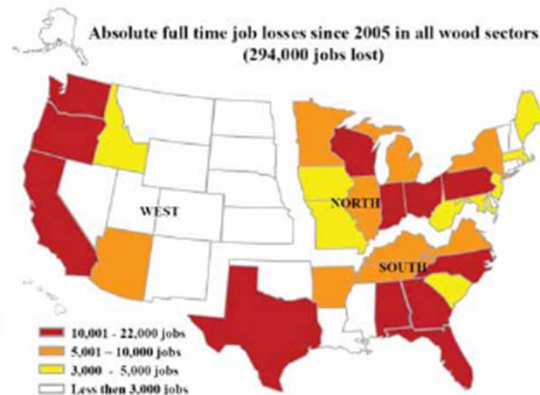


Figure 1. Forest-industry jobs lost since 2005: about 113,000 in the South, 110,000 in the North, and 71,000 in the West.

## The Forestry Source

News for forest resource professionals published by the Society of American Foresters

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### Regional Data: US Forest Products Sector Still Reeling

By W. Brad Smith

The recent economic downturn has had a tremendous impact on forestry, forest products, and related industries in the United States. Following on the January article in *The Forestry Source*, "Forest Sector Reeling During Economic Downturn," a series of regional papers is being prepared for an upcoming issue of the *Forest Products Journal* to update the earlier data and provide more detailed regional analysis of the extent of the downturn, with a particular focus on trends in forest sector economic activity and employment across the United States. (The papers are available for free at [www.forestprod.org](http://www.forestprod.org).)

The following synopsis, based on summaries from the regional papers of pulp/paper, introduces some of the critical issues that will be addressed in more detail in the papers.

The forest industry within the northern region has experienced notable declines in employment, mill closures, and wood consumption, as well as forest harvest since 2000—a downturn exacerbated by the recent recession. Evidence of the long-term industrial decline is reflected in reductions in secondary products, such as furniture/cabinets and paper manufacturing, which can be attributed to the lack of global competitiveness of US wages and the success of electronic media. More recent and steeper declines can be found in industries servicing the housing industry, such as composite floor production and other product manufacturing, as single-family housing starts in the region have declined 70 percent since 2005.

Despite a decade of decline, there are better opportunities for this region's forest industry. The region's forests are predominantly in private ownership and represent tremendous volumes of some of the world's most valuable species, such as walnut, cherry, and high-quality oaks and other northern hardwoods. Coupled with the natural resource is an industry infrastructure with spare capacity and a skilled workforce experienced in producing to maximize value from roundwood. Recent positive trends in trade balances also suggest that the decline of the North's forest industry may be ending, with a focus on increased international trade of unfinished products (e.g., logs and paperboard, along with use of the region's skilled secondary product workforce).

US South  
Authors: D.G. Hodges, A. Hartwell, C. Brandels, T.J. Brandels, A.J. Reilly

The South spans 15 states from Texas to Virginia and

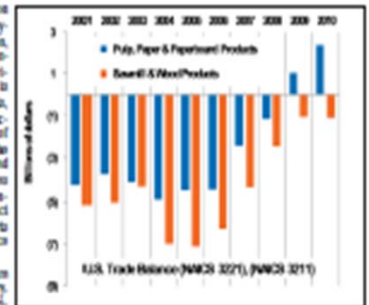


Figure 2. Source: International Trade Administration (ITA)

direct impacts of job losses all along the supply chain, which caused further economic decline due to reduced household income and spending in many communities. The analysis for the South will focus on local effects of the recession on the forestry sector of the southern economy and regional forest management.

US West  
Authors: C.E. Kagan, C.B. Sommers, T.A. Morgan, J.M. Daniels, S.W. Hayes

This region includes 11 continental states from the Great Plains to the Pacific Coast, plus Alaska and Hawaii. The region's forest products industry is influenced by many factors, among the most significant are market conditions, "locked-

# Publications

*Forest Prod. J.* 61(8)



## An Overview of the Forest Products Sector Downturn in the United States

**Authors:** Woodall, C.W.  
USDA Forest Service, Northern Research Station, Forest Inventory and Analysis Program, St. Paul, MN, 55108

Ince, P.J. & Skog, K.E.  
USDA Forest Service, Forest Products Laboratory, Madison, WI 53726-2398

Aguilar, F.X.  
The School of Natural Resources, 203 Anheuser-Busch Natural Resources Building, University of Missouri, Columbia, MO, 65211

Keegan, C.E. & Sorenson, C.B.  
Bureau of Business and Economic Research, Forest Industry Research, University of Montana, Missoula, MT, 59812

Hodges, D.G.  
Natural Resource Policy Center, Department of Forestry, Wildlife and Fisheries, University of Tennessee, Knoxville, TN, 37996

Smith, W.B.  
USDA Forest Service, Washington Office, Washington, DC, 20250



## An Assessment of the Downturn in the Forest Products Sector in the Northern Region of the United States

**Authors:** Woodall, C.W. & Piva, R.J.  
USDA Forest Service, Northern Research Station, Forest Inventory and Analysis Program, St. Paul, MN, 55108

Skog, K.E.  
USDA Forest Service, Forest Products Laboratory, Madison, WI 53726-2398

Luppold, W.G.  
USDA Forest Service, Northern Research Station, Forest Inventory and Analysis, 241 Mercer Springs Road, Princeton, WV 24740

Ince, P.J.  
USDA Forest Service, Forest Products Laboratory, Madison, WI 53726-2398



## Impact of the Great Recession and Housing Collapse on the Forest Products Industry in the Western United States

**Authors:** Keegan, C.E., Sorenson, C.B., Morgan, T.A., and Hayes, S.W.  
The University of Montana, Bureau of Business and Economic Research, Missoula, MT, 59812, USA

Daniels, J.M.  
USDA Forest Service, Pacific Northwest Research Station, Portland, OR, 97208, USA

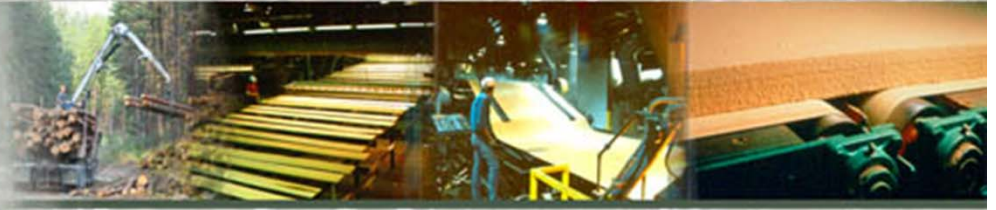


## Recession Effects on the Forests and Forest Products Industries of the South

**Authors:** Hodges, D.G.  
The University of Tennessee; Department of Forestry, Wildlife and Fisheries; 274 Ellington Plant Sciences Bldg.; 2341 Joe Johnson Drive; Knoxville, TN 37996 USA

Hartsell, A.J., Brandels, C., Brandels, T.J. and Bentley, J.W.  
USDA Forest Service, Southern Research Station, Forest Inventory and Analysis Unit, 4700 Old Kingston Pike, Knoxville, TN 37919 USA

# Thank you!



## Contact Info

Phone: 406-243-5113

[charles.keegan@business.umt.edu](mailto:charles.keegan@business.umt.edu)

[colin.sorenson@business.umt.edu](mailto:colin.sorenson@business.umt.edu)

[todd.morgan@business.umt.edu](mailto:todd.morgan@business.umt.edu)

[www.bber.umt.edu/forest](http://www.bber.umt.edu/forest)



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