Trends in the Montana Forest Products Industry

COFE Annual Meeting
July 8, 2013

Steve Hayes, CF
Bureau of Business and Economic Research
The University of Montana
• **BBER Who We Are**

• The research and public service branch of the University of Montana School of Business Administration

• **Mission** - to serve the general public, business, labor, and government by providing an understanding of the economic environment in which Montanans live and work
• What We Do
• State & local economic analysis
• Survey research
• Health care industry research
• Manufacturing industry research
  ➢ Forest industry research
- Forest Industry Research
  - State-level industry analysis
  - Removals from forest inventory: Resource Planning Act Assessment & Timber Products Output (RPA-TPO)
  - Cost of forest management activities
  - Other related projects
Data Sources

• Periodic industry surveys and censuses

• Published information on the forest products industry

• Interviews/discussions with mill managers, state and federal utilization specialists
Forest Industry Censuses
(with IW & PNW FIA)

- Mill type, capacity, equipment
- Timber harvest volume, use, species, size, county, & ownership
- Product volume, sales, & geographic distribution
- Mill residue/wood fiber use
- Associated employment
Montana Manufacturing
2004 Labor Income Distribution

- Lumber & Wood Prod. 36%
- Stone, Clay & Glass 4%
- Petroleum & Chem. 16%
- Printing & Related 3%
- Machinery, Equip. & Instr. 11%
- Other Mfg. 11%
- Metals & Related 9%
- Food & Beverage 10%

Total Labor Income: $1.1 billion
Total Employment: 24,400
Total sales: $5.5 billion

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Montana Manufacturing
2012 Labor Income

Total Sales: $13 billion
Total Employment: ~21,250
Total Labor Income: $1.08 billion

Chemicals, Petroleum & Coal 27%
Wood & Paper 16%
Metals 10%
Food & Beverage 13%
Other 19%
Nonmetallic Minerals 4%
Machinery 7%
Computers, Electronics & Appliances 4%
Other 4%

Sources: BEA-REIS; Census Bureau; and BBER estimates
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<th>2004</th>
<th>2012</th>
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<td></td>
<td>•963 MMBF of capacity</td>
<td>•485 MMBF of capacity</td>
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<td>•10,695 workers</td>
<td>•6,650 workers</td>
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<td>•$410 million in labor income</td>
<td>•$295 million in labor income</td>
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<td>•Sales of $1.2 billion</td>
<td>•Sales of $880 million</td>
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Primary forest products industry:

- logging, and processing of logs into wood products, and processing wood residues from timber-processing plants
Softwood Lumber

70% of timber utilized
about 41 sawmills
few “large” sawmills
national & international markets
significant part of most timber sales
Plywood

Particle Board & MDF
Posts, Poles, Rails

Log Furniture
Quarterly Montana Reporting

Average Quarterly Delivered Log Price, Montana 1Q 2001 - 4Q 2012

www.bber.umt.edu/forest
Montana Workers and Lumber Production
1990-2012

Source: BBER, WWPA
Quarterly Lumber vs. log prices

Source: Random Lengths, BBER
Montana Timberland: Ownership & Harvest

- 20 million acres of non-reserved timberland
  - 63% National Forest
  - 28% Private & Tribal
  - 9% Other Public
- 380 MMBF harvest in 2012
  - 50% NI PF & industry
  - 28% National Forest
  - 22% Other
Montana Timber Harvest

- MMBF, Scribner

1976: 42%
1981: 40%
1988: 40%
1993: 28%
1998: 22%
2004: 15%
2009: 25%
2012: 28%
Timber-processing capacity:

Volume of timber that could be used annually by existing timber processors if demand for products were firm and sufficient raw material were available
Shifts per Year:
More than 85 percent of Timber Processing capacity is at sawmills and plywood plants;

- Large sawmills 2+ and in many cases 3 shifts 240 -280 days
- Plywood generally 3 shifts for @250 day year

- Capacity
- Total Timber Harvest
- Lumber price

Sources: U.S. Census Bureau; BBER

- US Housing Starts
- MT Capacity
- MT Timber Harvest

U.S. Housing Starts (thousands)

MT Timber (MMBF Scribner)
Recent Market Conditions

- 2003-2004-2005
  - “Lumber Consumption At Record Levels”

- 2006-2007-2008
  - “Housing starts tumble …”
2009 - 2010

• “Demand for lumber in the U.S. at the lowest level in modern history”

• “Recession ended in 2009 - Who knew?”
2009-2010
“Dreadful”

• Curtailments at virtually every major wood products mill in west
• Permanent closure of 30 major mills
  25 + sawmills and plywood plants
  4  Pulp and board mills
• Employment dropped by @ 40,000
Montana Forest Products Outlook for the Coming Year

- Better than last year: 32%
- Same as last year: 76%
- Worse than last year: 11%

Outlook for 2012: 49%
Outlook for 2013: 11%
Montana Forest Products Industry 2013 Forecast

- U.S. homebuilding is recovering
- Markets are expected to be better than 2012
- Lumber production & sales should increase
- Employment & worker earnings may increase slightly
- Timber supply ...?
Historical & Projected U.S. Housing Starts
2003-2012 Historical, 2013-2022 Projected,
Millions

Source: February 2013 IHS Global Insights forecast
Comments/ Questions?

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