TOUGH TIMES CONTINUE FOR MONTANA’S FOREST PRODUCTS INDUSTRY

MISSOULA—

The sharp declines Montana’s forest products industry encountered during the last three months of 2008 continued into the first three months of 2009, according to a University of Montana researcher.

“It really took a couple years for the national wood products market woes, which began in 2006, to hit Montana,” said Todd Morgan, director of forest industry research at UM’s Bureau of Business and Economic Research. “The prolonged economic and housing downturn is clearly having severe negative impacts on the state’s industry.”

Lumber production at Montana sawmills in the first quarter of 2009 fell to approximately 93 million board feet, down 29 percent from the fourth quarter of 2008, and down 49 percent from first quarter 2008. During the first quarter of 2005, when U.S. housing starts were near their peak, Montana lumber production was 255 million board feet—more than 2.5 times higher than it is currently, Morgan said.

The number of production workers employed in Montana mills during the first quarter of 2009 fell to 2,402, about 12 percent or more than 300 workers lower than fourth quarter 2008. Production wages also fell. Wages were $21.2 million during the first quarter of 2009, versus $24.6 million during the fourth quarter of 2008 and $29.3 million for the first quarter of 2008.

“After a year or more of measures like shortened work weeks, temporary curtailments, pay cuts and other efforts to keep costs down while retaining employees, some Montana mills are running out of options,” Morgan said. “Given the bleak forecast for the rest of 2009,
employment and production could go lower as the year progresses. The additional layoffs just announced by Plum Creek are not included in the first quarter figures but will show up in the second or third quarters along with the extended shutdown announced at Smurfit-Stone Container.”

Several Montana mills reported not purchasing any logs during the first quarter and expect that demand for logs over the next 60 days will be poor to fair as they continue to deal with low demand for products, Morgan said.

“Mill closures and mill employment are only part of the issue,” Morgan said. “With several mills not buying logs and most mills buying fewer than usual, there are substantial impacts on loggers and other workers that harvest and deliver logs. The loss of logging – as well as milling infrastructure – limits the ability to manage forests, with fewer skilled forest workers and reduced revenue to landowners and management agencies.

“Projects that keep contractors working, whether or not any timber is harvested, are needed not only to improve forest conditions but to keep the in-the-woods portion of our forest products industry intact.”

Wage, employment and production figures refer only to Montana production workers at timber-processing facilities and mills that use wood residue from timber-processing facilities. Production workers account for 30 to 40 percent of the workers in Montana’s forest products industry. Estimates do not include several thousand workers in logging, trucking and other related jobs.

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