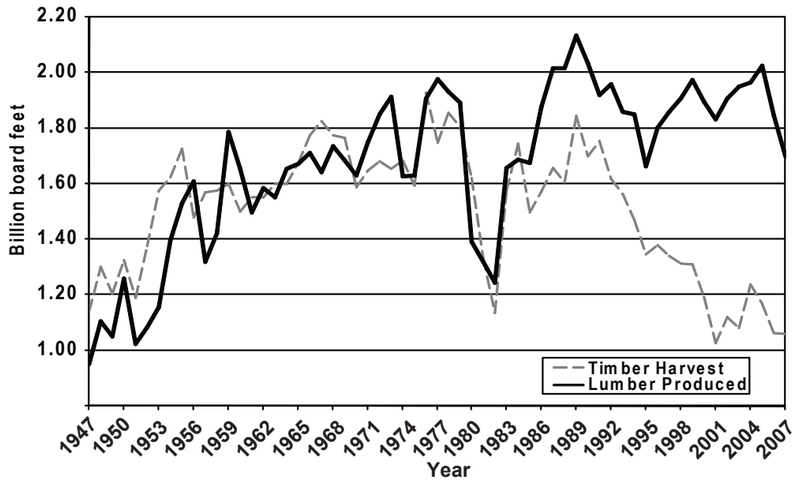
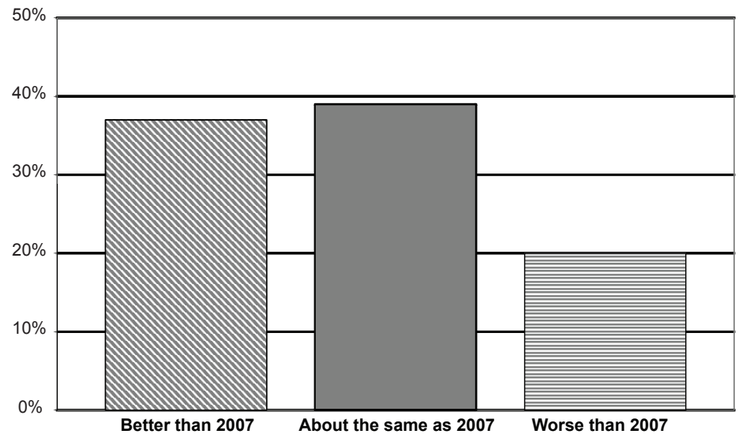
Figure 5
Idaho Timber Harvest and Lumber Production
1947-2007



Source: Western Wood Products Association; Bureau of Business and Economic Research, The University of Montana-Missoula.

Figure 6
Idaho's Wood and Paper Product Producers Overall Outlook for CY 2008



Only 35 percent of the facilities surveyed anticipate an increase in production, while 45 percent expect to experience greater sales in 2008. Just over one-half of the facilities surveyed said they expected to see an increase in profits from 2007 to 2008, while only 17 percent stated they expect profits to decrease. Furthermore, 31 percent stated that they expect to see a price increase on their products, while 46 percent of the respondents expected prices to stay about the same as those in 2007.

After general market conditions, the majority of producers mentioned raw material availability and cost as major issues that will affect their operations in 2008. Concerns over timber availability generally focus on national forest lands. Other major concerns expressed by mill managers for 2008 included increases in health insurance, transportation and energy costs, and the availability of qualified personnel.

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Director
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University of Idaho

Idaho's Forest Products Industry: Current Conditions and Forecast 2008

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The Inland Northwest Forest Products Research Consortium, a research cooperative centered at the Forest Products Department at the University of Idaho, the Bureau of Business and Economic Research at The University of Montana-Missoula, and the Wood Materials and Engineering Laboratory at Washington State University.

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Idaho's Forest Products Industry: Current Conditions and Forecast, 2008

Operating Conditions

A second weak year in the U.S. housing industry continued to negatively impact Idaho's forest 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).

Idaho Industry Sales, Employment, and Production for 2007

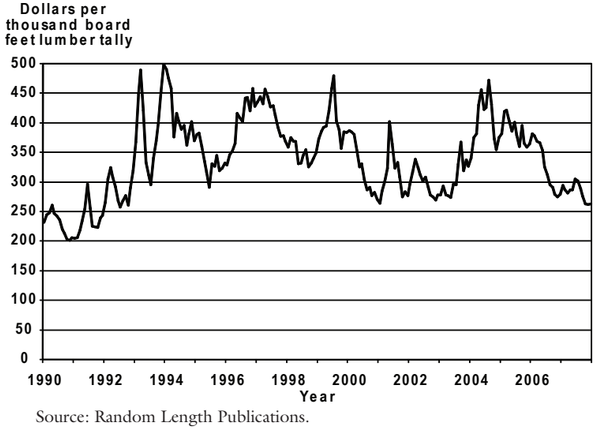
The estimated sales value of Idaho's primary wood and paper products manufacturers for 2007 was just under $1.7 billion, down approximately $140 million (approximately 7 percent) from 2006 (Figure 2). The number of forest industry workers (including the self-employed) was an estimated 14,800 in 2007, down by about 600 workers from 2006 (Figure 3). Production of lumber, the largest component of Idaho's forest products industry, fell to an estimated 1.7 billion board feet in 2007 from 1.85 billion board feet in 2006 (Figure 4).

Timber harvest declines were seen in virtually all the timber ownership classes (Figure 4), with lower prices being a major factor. Idaho's estimated timber harvest volume during 2007 was about 1.06 billion board feet, down about 7 percent from 1.14 billion board feet in 2006 (Figures 4 and 5). Private land harvest, including industry and non-industrial private lands, was about 9 percent below 2006. The harvest from federal lands was down about 7 percent. Low prices combined with persistent legal, budgetary, and administrative problems led to the second lowest federal harvest since World War II (Figure 4). Harvest from state lands was down about 2 percent from 2006

Fifty-nine percent of wood and paper product manufacturers indicated a decrease in profits for 2007, while only 26 percent indicated an increase. Forty-nine percent of responding manufacturers indicated a decrease in sales, and 48 percent indicated a decrease in production. Furthermore, the number of plants that made major capital expenditures went down to 48 percent in 2007 from 57 percent reported in 2006.

Note that timber harvest, expressed in board foot Scribner and lumber production expressed in board foot lumber tally were roughly equal from 1947 to 1983 (Figure 5). After that time, timber harvest began to decline while lumber production continued to increase. This was likely due to several factors. One factor was improvements in sawmill

Figure 1
Nationwide Composite Lumber Prices
Monthly, 1990-2007



Source: Random Length Publications.

Figure 2
Sales Value of Idaho's Primary Wood Products
1980-2006

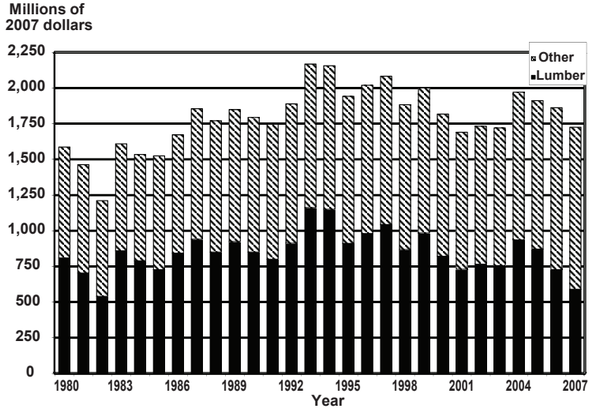
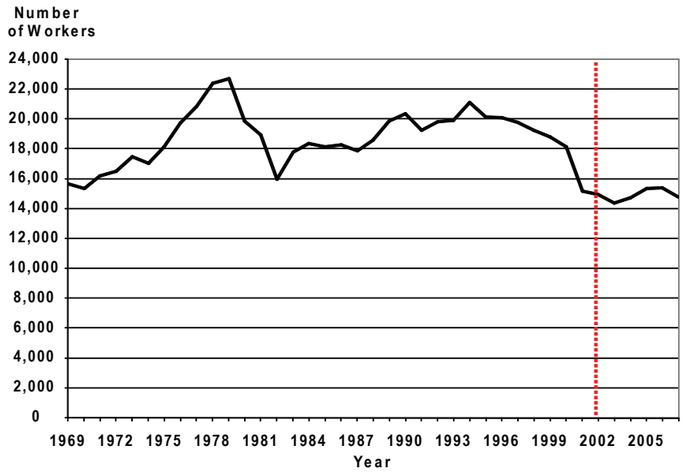


Figure 3
Employment in Idaho's Forest Products Industry
1969-2007



Note: The change from the Standard Industrial Classification (SIC) system to the North American Industry Classification System (NAICS) has made it problematic to provide consistent and continuous time series data for employment and labor income. Numbers for years prior to 2001 are based on the old SIC system, while the more recent figures are based on NAICS.

Source: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of Business and Economic Research, The University of Montana-Missoula.

efficiency. In the mid 1980s, Idaho's sawmills started to incorporate quality control and size control practices, improved sawblade technology, and computerized process control. A second factor was that Idaho's plywood industry began to decline in the 1980s, and a higher proportion of harvested timber made its' way to Idaho sawmills. In addition to these real factors, a third artificial factor was also introduced. Many sawmills began to re-tool during the 1980s to handle smaller-diameter logs. By 2003, nearly 60 percent of all logs processed in Idaho were less than 10 inches in diameter (measured at the small end), and some mills were processing very small-diameter logs (less than 6 inches in diameter). This exposed a weakness in the Scribner log scale that resulted in under scaling of these small-diameter logs.

Outlook for 2008

Weak markets and mill curtailments are expected into 2009, with housing starts for 2008 expected to be lower than 2007 levels. Information gathered from the annual survey of Idaho manufacturers indicates that they perceive a continuation of weak markets in 2008. Overall, 61 percent of the survey respondents do not expect improved operating conditions in 2008 (Figure 6).

Figure 4
Idaho Timber Harvest by Ownership
1947-2007