The "Great Recession" and the Forest products Industry in the West

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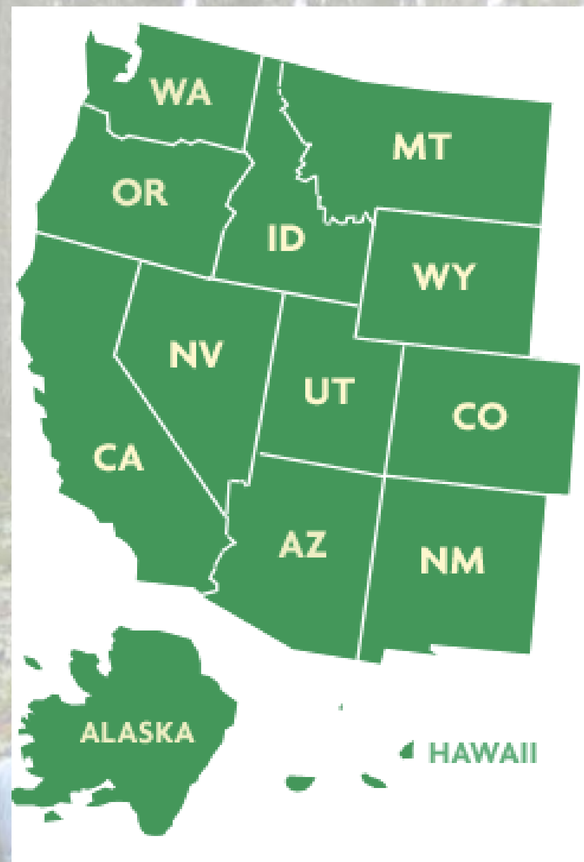
- **Market Conditions and some other factors shaping western industry and**
- **In particular the recent decline and its impact on production, harvest, value of output, and the size and structure of the industry**

Primary forest products industry:

- logging, and processing logs into wood products, and processing wood residues from timber-processing plants.


WA
MT
OR
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ALASKA
HAWAII

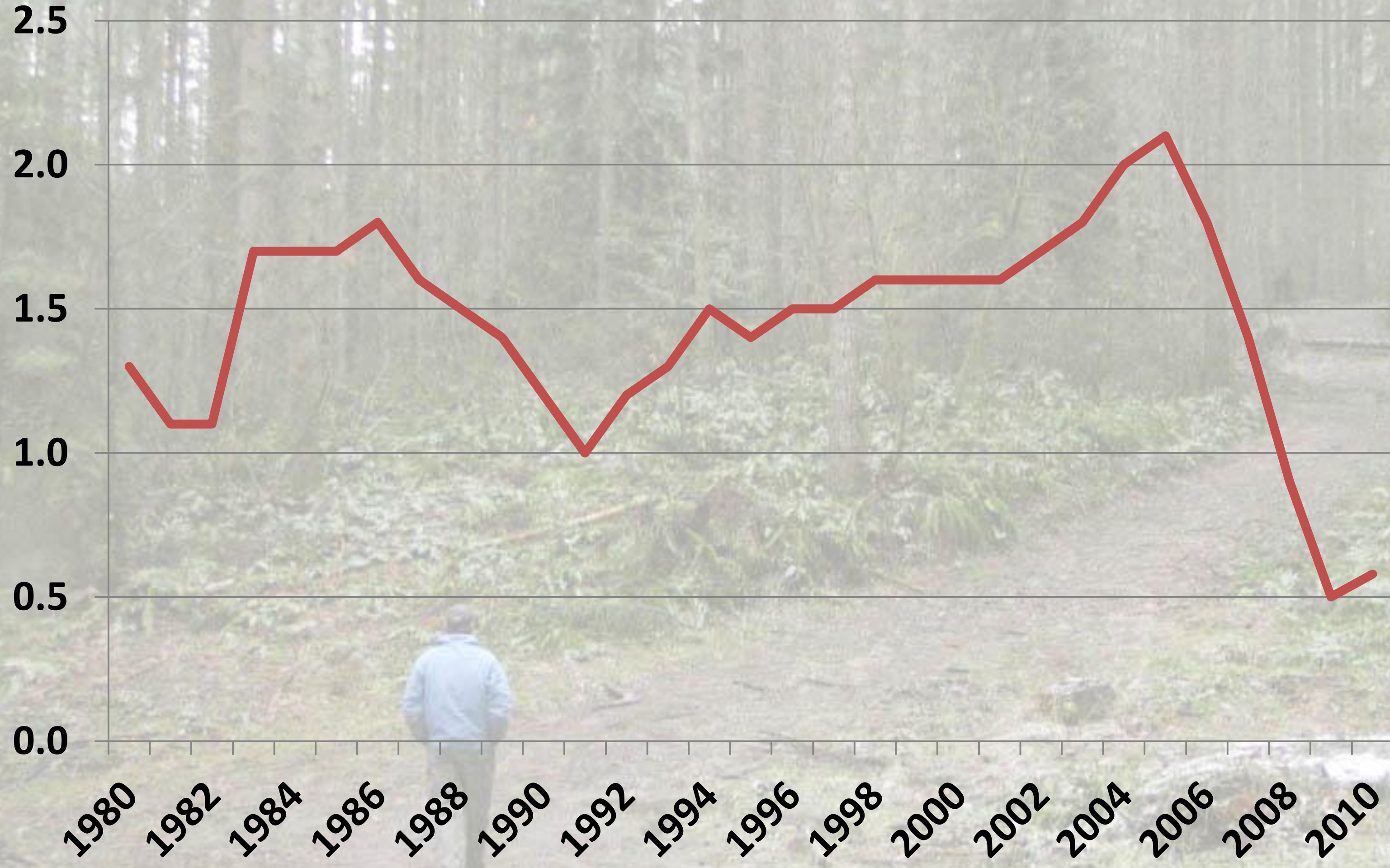
Recent Market Conditions

- **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?”
- “If you go down to the woods, You’ll find a Chinese surprise”

Housing Starts



Nationwide Composite Lumber Prices Monthly, 1990-2011

Dollars per Thousand Board Feet Lumber Tally

2009/2010
“Dreadful”

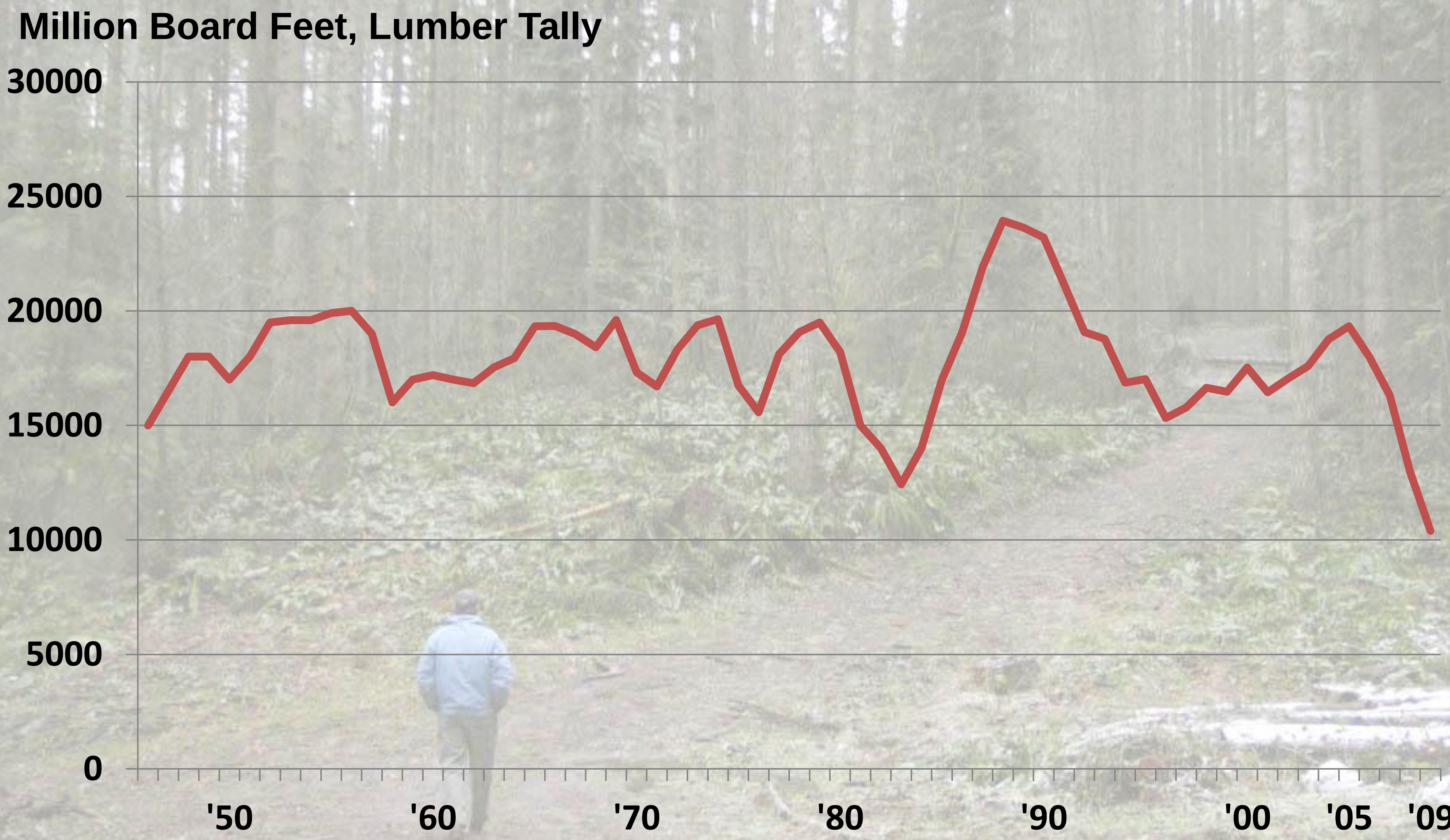
- Curtailments at virtually every major wood products mill in west
- Permanent closure of 30 major mills

  25 + sawmills and plywood

  4   Pulp and board mills
- Employment dropped by @ 40,000

Sales Value, 2001-2009
Western Forest Products Industry

Lumber Production
Western States



Harvest Western States
1945 – 2009, MMBF Scribner

<u>Timber-processing capacity</u>:

volume of timber that could be used annually by existing timber processors if demand for products were firm and sufficient raw material were available

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  volume of timber that could be used by existing timber processors if demand for products were firm and sufficient raw material were available

- **<u>Capability by size class</u>:**

  volume of trees by tree DBH class that could be processed efficiently

Capacity is to express in common units of timber input; this is estimated based on capacity expressed in units of output and recovery factors.

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

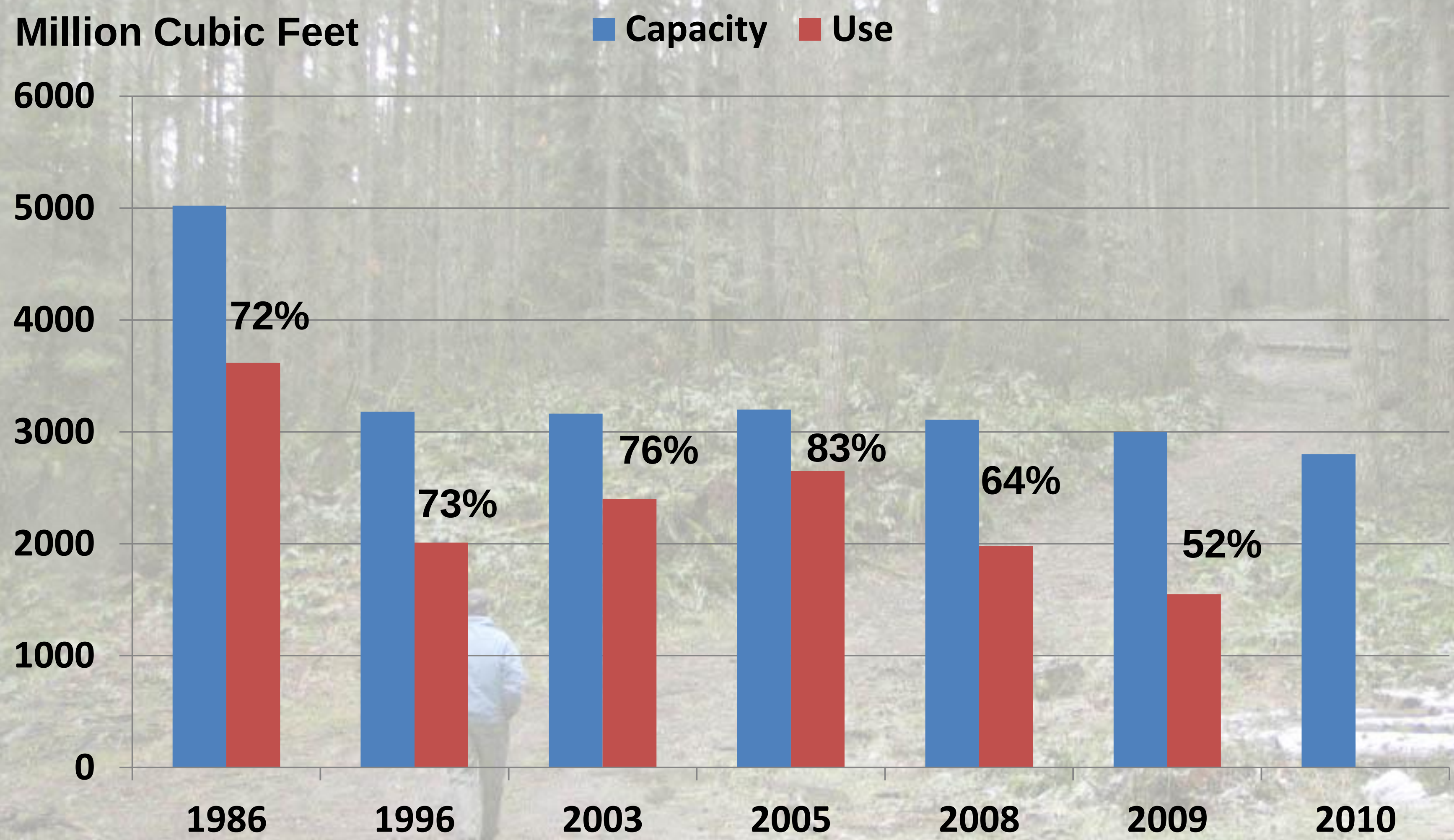
Keegan, C.E., T.A. Morgan, K.M. Gebert, J.P. Brandt, K.A. Blatner and T.P. Spoelma. 2006. Timber-processing capacity and capabilities in the Western United States. Journal of Forestry 104(5):262-268

Shifts per Year

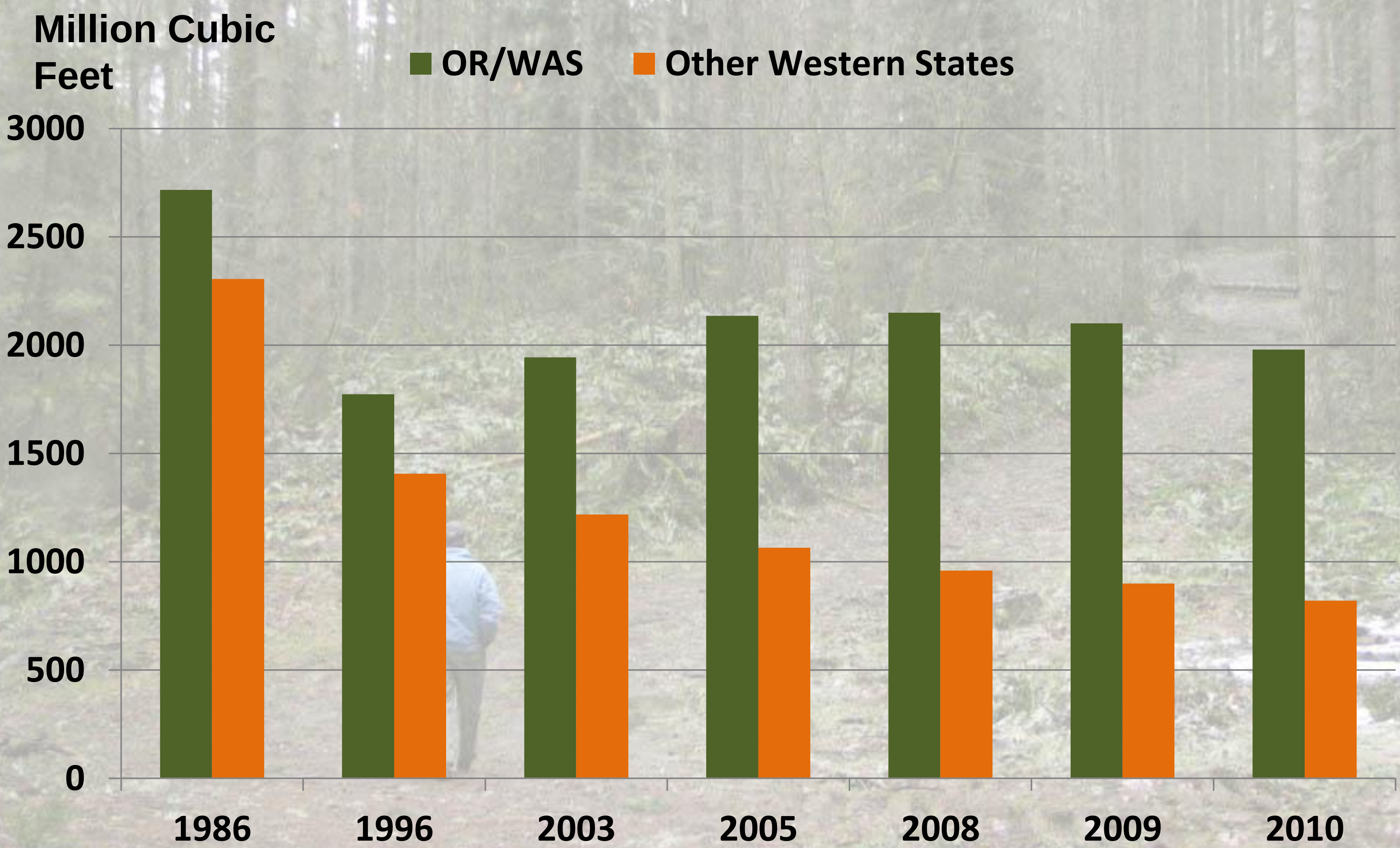
More than 95 percent of Timber Processing capacity is at sawmills and plywood plants

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

West-wide Timber-Processing Capacity and Timber Use, 1986 -2010



Timber-Processing Capacity, Oregon/Washington & Other 1986 -2010



Outlook

- Some forecasters have revised 2011 estimates downward
- Extended weak market could likely lead to additional permanent closures

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