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# Idaho's Forest Products Industry: Current Conditions and Forecast 2000

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*Produced by*

The Inland Northwest Forest Products Research Consortium, a research co-operative 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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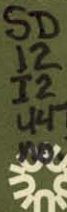
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# Idaho's Forest Products Industry: Current Conditions and Forecast, 2000

## Market Conditions

Average lumber and other wood products prices during 1999 were substantially higher than in 1998 (Figure 1). With a stronger than expected U.S. economy and modest improvements in the global economy, wood and paper product prices increased dramatically during the first half of 1999. In July 1999, lumber prices were near record levels and 40 percent higher than in July 1998. Lumber and plywood markets remained extremely volatile, and in late July prices turned sharply downward and fell steadily into October before rebounding in November and December. On balance however, lumber and plywood prices were 10 to 20 percent higher in 1999 than in 1998.

## 1999 Employment, Production, Sales

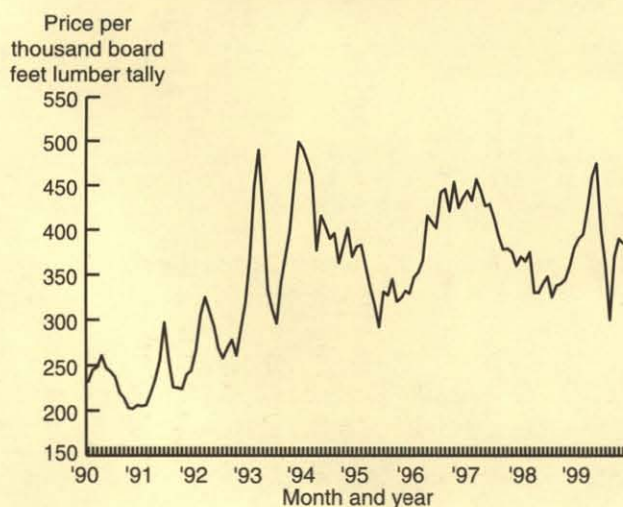
Because of higher prices, sales value of primary wood and paper products in 1999 was an

estimated \$1.66 billion—up from \$1.56 billion in 1998 (Figure 2). Employment in 1999 was estimated at 19,750 workers, down slightly from the 19,850 workers in 1998 (Figure 3). The small decline in employment is probably due to several sawmill closures offset by the implementation of new technology at a number of mills. Despite some mill closures, 1999 lumber production may actually be up slightly from 1,908 MMBF in 1998 (Figure 4). The increase is due to capital expenditures that have improved lumber-recovery and production capabilities, especially from smaller diameter timber.

## Outlook

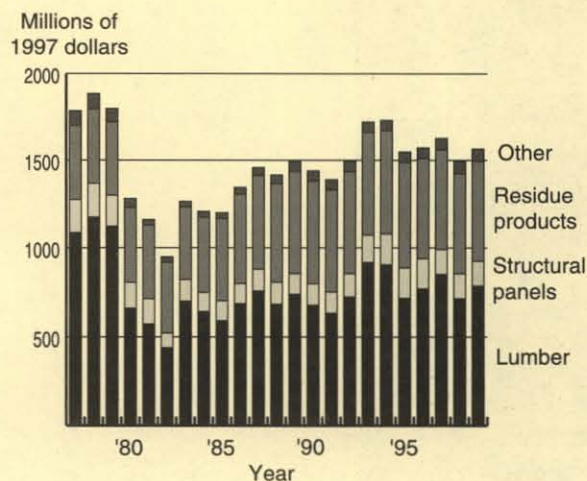
A majority of Idaho's lumber and plywood producers expect slightly lower, but more stable, prices in 2000. Producers anticipate lower prices because of the somewhat lower levels of U.S. housing starts.

**Figure 1**  
Nationwide Composite Lumber Prices  
Monthly, 1990-1999



Source: Random Length Publications.

**Figure 2**  
Sales Value of Idaho's Primary Wood Products  
1977-1999



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

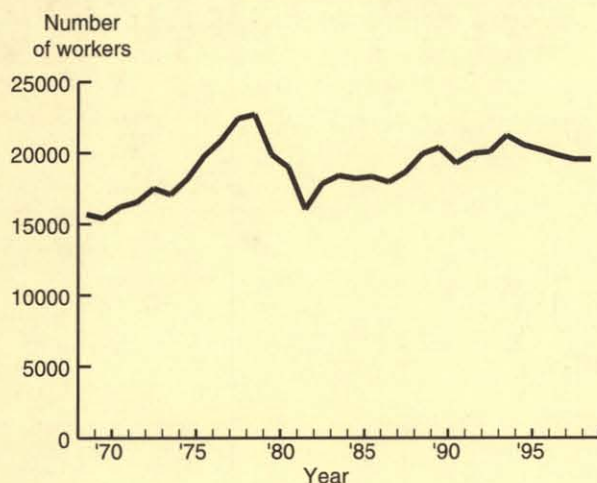
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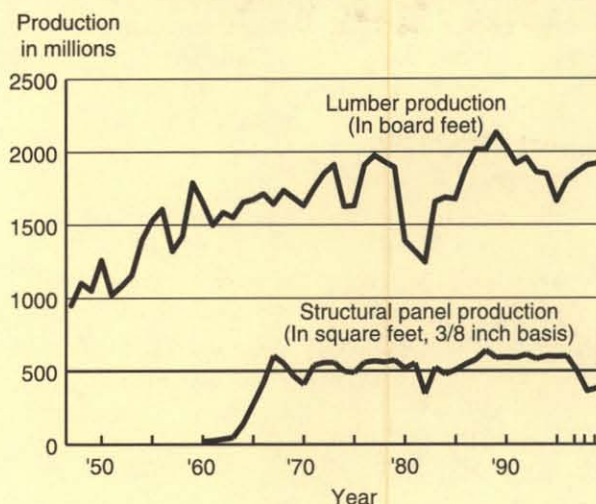


**Figure 3**  
**Employment in Idaho's Forest Products Industry**  
**1969-1999**



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

**Figure 4**  
**Idaho Lumber and Structural Panels Production**  
**1947-1999**



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

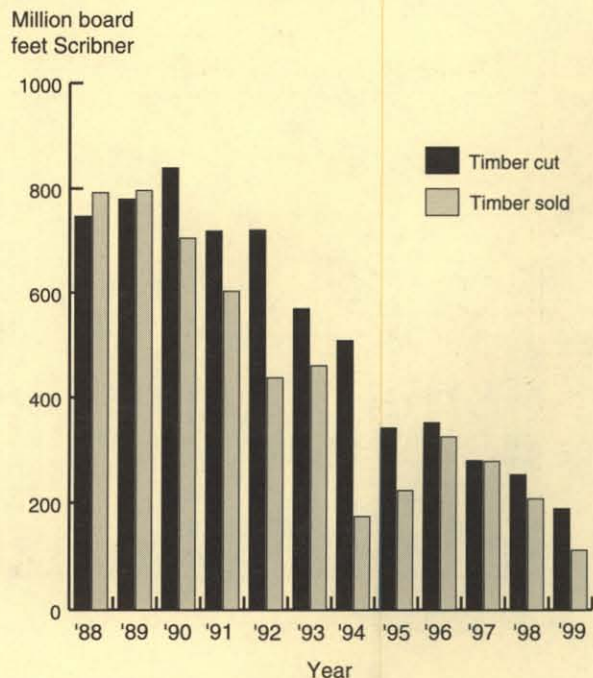
Other Idaho wood products manufacturers believe prices will be equal to or slightly higher than 1999 because of a continued strong domestic economy and improving global economic conditions.

The recently announced merger of the Burlington Northern Santa Fe Railroad with Canadian National Rail would open additional north-south shipping routes for Canadian forest products, which could result in increased competition in the U.S. market.

Even with a slightly weaker U.S. economy and the potential for increased Canadian competition, prices should remain strong by historic standards with timber availability the major concern of Idaho's primary forest products industry, particularly in southern Idaho.

In the last decade, Idaho's timber harvest declined by about 30 percent due almost entirely to reductions on the national forests. During the first half of the 1990s, the federal timber sale program declined by about 70 percent, from about 710 million board feet (MMBF) in 1989 to under 200 MMBF in 1994. The 1996 program rose to approximately 325 MMBF under the now expired "salvage rider." Even with much stronger markets, the timber harvest was lower than expected

**Figure 5**  
**National Forest Timber Cut and Sold**  
**Volumes, Fiscal 1989-1999**



Source: USDA Forest Service Regions One and Four, Missoula, Montana and Ogden, Utah.



and timber sales from Idaho national forests fell to 111 MMBF in fiscal 1999, the lowest level since at least the 1940s (Figures 5 and 6).

These low levels contrast with an estimated 2.4 billion board feet of net annual growth of sawtimber on national forest lands. The decline in harvest has been due to threatened and endangered species protection, litigation and appeals, cumulative impacts of past harvest practices, and U.S. Forest Service budget levels.

Harvest from the other major ownerships—private lands and those managed by the Idaho Department of Lands (IDL)—have changed very little over the past decade and now supply over 80 percent of the harvest. As we look to the future, it is by no means certain whether harvest levels from these ownerships will increase or decrease.

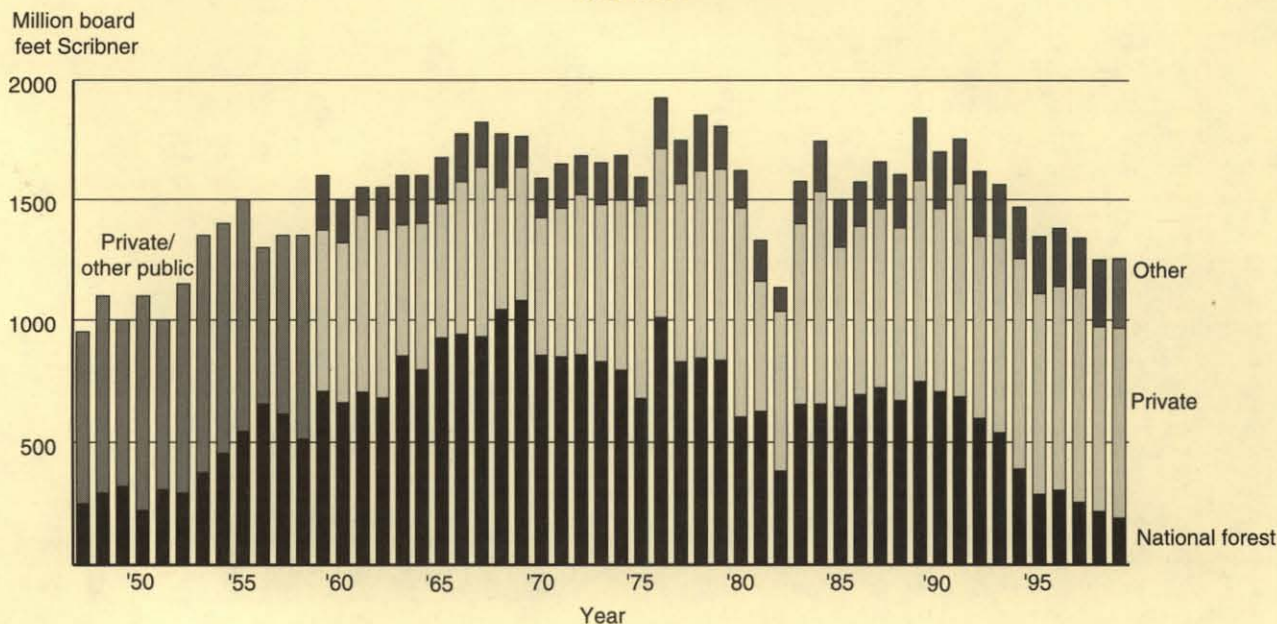
Private lands in parts of the state have been harvested above net annual growth, and it is unclear how long current harvest levels can be maintained. IDL is reviewing planned harvest levels on the Clearwater area—one of its major timber-producing districts—and may make adjustments. Legislatively-mandated changes in

expected return on timber capital could influence IDL's harvest policies during the year 2000. How these changes will affect harvest levels is indeterminate at this time, but certainly warrants monitoring over the next several years.

Although dependency on national forest timber has declined, these lands still provide over 15 percent of the raw material to Idaho's forest products industry. Looking at the near term, issues such as threatened and endangered species, a burdensome legal and administrative framework, and disruption of existing and proposed sales due to the roadless area review, make it likely that harvest levels will decline further in the year 2000. This will lead to increased pressure on other ownerships and potentially to additional mill closures.

On the other hand, the perceived need among a growing number of key national forest stakeholders to undertake active management to improve forest ecosystem health could eventually lead to increased timber harvests from Idaho national forests relative to the recent past.

**Figure 6**  
**Idaho Timber Harvest by Ownership**  
**1947-1999**



Source: Bureau of Business and Economic Research, The University of Montana-Missoula; USDA Forest Service Region One, Missoula, Montana.