Station Bulletin 75
May 2001

Idaho's Forest Products Industry: Current Conditions and Forecast 2001

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.

May 2001

The authors

Charles E. Keegan III, Director of Forest Industry Research and Research Professor, Bureau of Business and Economic Research, The University of Montana, Missoula, Montana, (406) 243-5113.

Krista Gebert, Manufacturing Research Project Coordinator, Bureau of Business and Economic Research, The University of Montana, Missoula, Montana, (406) 243-5113.

Steven R. Shook, Assistant Professor of Forest Products Marketing, College of Natural Resources, University of Idaho, Moscow, Idaho, (208) 885-6802.

Francis G. Wagner, Professor of Forest Products, College of Natural Resources, University of Idaho, Moscow, Idaho, (208) 885-6700.

Keith A. Blatner, Professor, Department of Natural Resource Sciences, Washington State University, Pullman, Washington, (509) 335-1992.

Idaho Forest, Wildlife and Range Experiment Station
Moscow, Idaho

University of Idaho

Idaho's Forest Products Industry: Current Conditions and Forecast, 2001

Operating Conditions

After relatively high prices during the first two months of the year, lumber prices fell sharply in mid-March and remained low for the rest of 2000 (Figure 1). Declining prices were due to a combination of factors, including

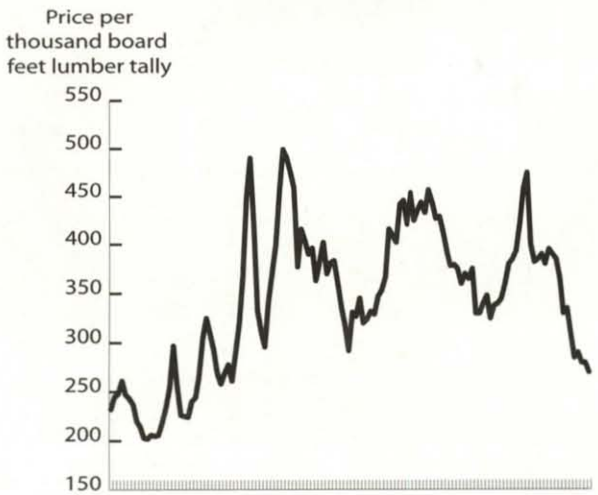
- High production brought on by increased worldwide milling capacity and unfulfilled strong market expectations at the start of the year. Lumber inventories rose, and prices fell.
- Higher interest rates and a weaker U.S. economy.
- A strong U.S. dollar and weakness in a number of overseas economies, which encouraged lumber imports.

2000 Sales, Employment, Production

Estimated total sales value of Idaho's primary wood and paper products in 2000 was down 10 to 20 percent from approximately $1.65 billion in 1999 (Figure 2).

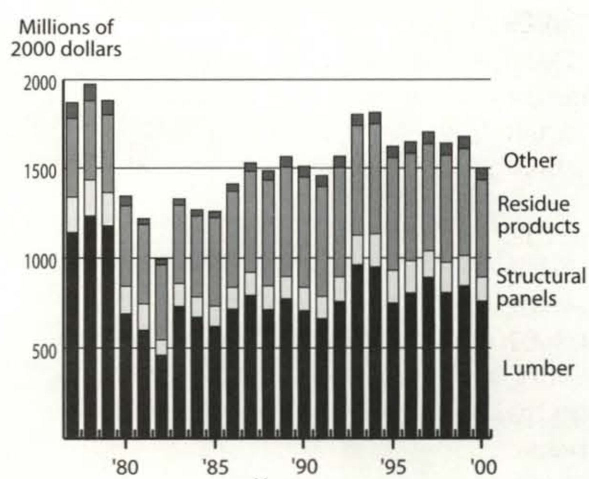
Estimated forest industry employment was 17,900—a decrease of about 900 workers from 1999 (Figure 3). The Idaho Department of Labor estimated about 1,150 workers in the forest products industry were idled for at least half of the summer due primarily to poor markets but also to some restrictions in logging activities because of extreme wildfire danger. Though many of these workers returned to work by late August, some firms, such as the Potlatch Jaype plywood mill in Pierce and the Crown Pacific sawmill in Coeur d'Alene, closed indefinitely.

Figure 1
Nationwide Composite Lumber Prices
Monthly, 1990-2000



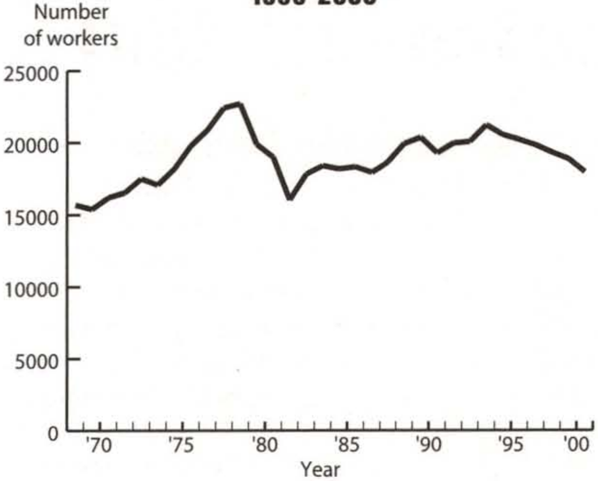
Source: Random Length Publications.

Figure 2
Sales Value of Idaho's Primary Wood Products
1977-2000



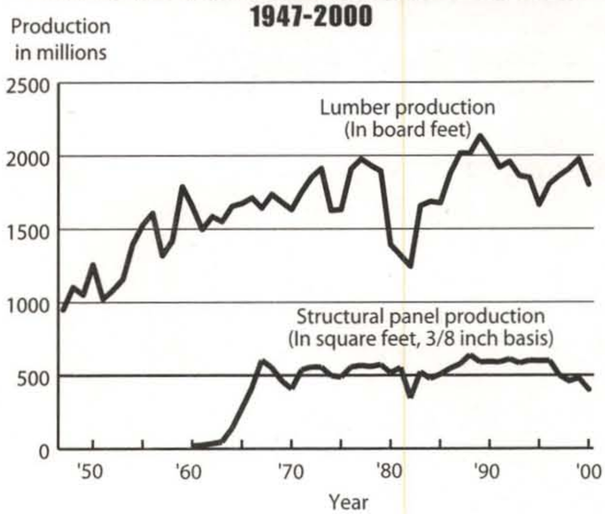
Source: American Plywood Association; Bureau of Business and Economic Research, The University of Montana-Missoula; Western Wood Products Association.

Figure 3
Employment in Idaho's Forest Products Industry 1969-2000



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 1947-2000



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

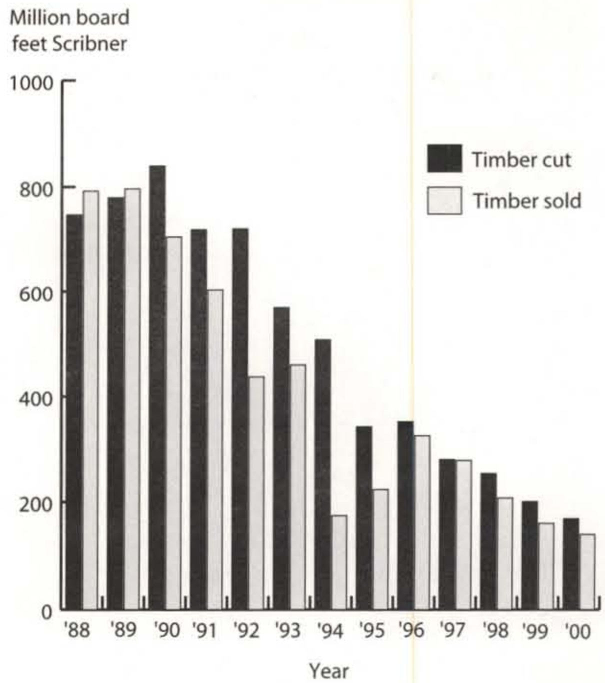
Idaho's estimated lumber production was less than 1.8 billion board feet in 2000, down about 9 percent from 1.975 billion board feet in 1999 (Figure 4). Plywood production also decreased, falling nearly 20 percent from just under 500 million square feet (MMSF) in 1999 to approximately 400 MMSF in 2000.

Outlook

Despite Federal Reserve decreases in interest rates during the first quarter, there is unlikely to be a dramatic rebound in markets in 2001 unless the Federal Reserve further decreases interest rates and/or international economic conditions improve substantially. The expiration of the Canadian-U.S. Softwood Lumber Agreement in 2001 will likely increase domestic lumber supply in the near term and place downward pressure on softwood lumber prices.

Idaho's mills continue to be impacted by limited timber availability primarily due to

Figure 5
Volumes of National Forest Timber Cut and Sold in Idaho
Fiscal 1989-2000



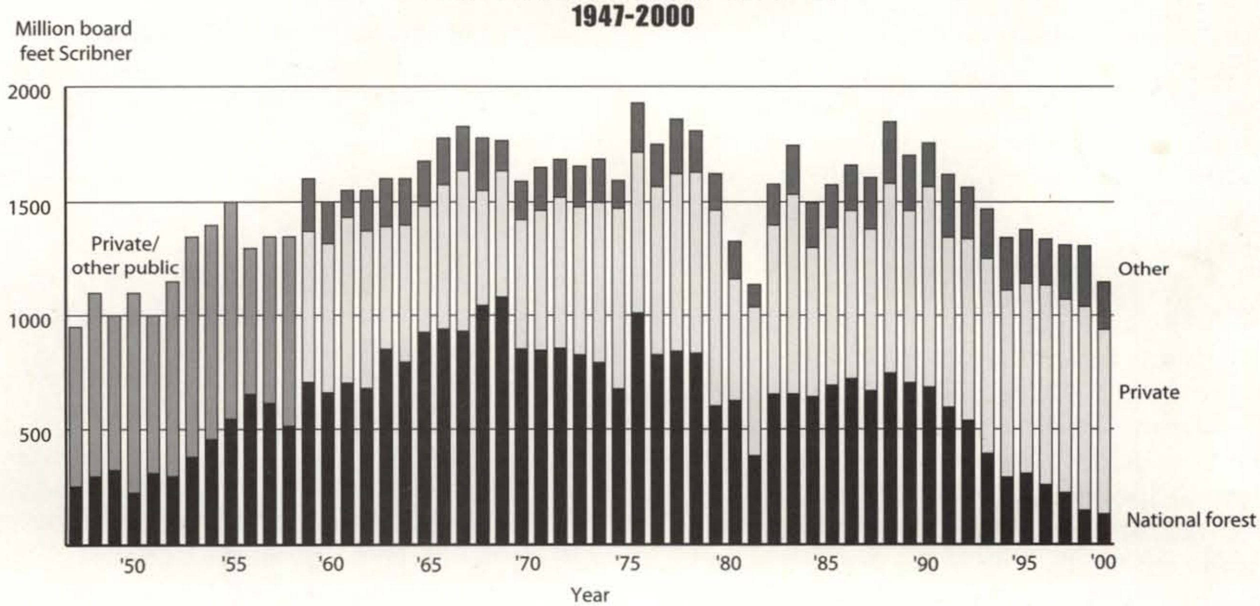
Source: USDA Forest Service Regions One and Four, Missoula, Montana, and Ogden, Utah.

declines on federal lands (Figures 5 and 6). In fact, Boise Cascade Corporation has announced its Idaho lumber and plywood operations will close permanently on May 31, 2001, due primarily to precipitous drops in national forest timber offerings. The closure of its Emmett and Cascade mills in southern Idaho will have dramatic impacts on local economies and demands for sawtimber. It is expected that stumpage prices in southern Idaho will decline substantially, impacting both state and private landowners.

Besides timber availability and low product prices, a major concern of the industry is energy costs. Electricity rates are high and threatening to increase as demand continues to increase. Natural gas prices are expected to climb as much as 50 percent. Transportation and logging costs are being driven up by the high price of oil. Higher operating costs coupled with low lumber prices are a dangerous mix, and it is not anticipated that either situation will be rectified in the near future. Production and employment levels in Idaho's forest products industry will most likely decline further in 2001.

Longer-term markets are expected to improve, and it is possible that reducing the risk of future catastrophic fires through aggressive forest restoration programs could lead to a longer-term increase in available timber.

Figure 6
Idaho Timber Harvest by Ownership
1947-2000



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

Published May 2001