Station Bulletin 77
February 2002

Idaho's Forest Products Industry: Current Conditions and Forecast 2002

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.

January 2002

The authors of this report are:

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.

Todd A. Morgan, Research Forester, Bureau of Business and Economic Research, The University of Montana, Missoula-Montana, (406) 243-5113.

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

Francis G. Wagner, Professor of Forest Products, College of Natural Resources, the 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

r
nson

This publication is issued as contribution No. 954 of the Idaho Forest, Wildlife, and Range Experiment Station, College of Natural Resources, University of Idaho, Moscow, ID 83844-1142.

Idaho's Forest Products Industry: Current Conditions and Forecast, 2002

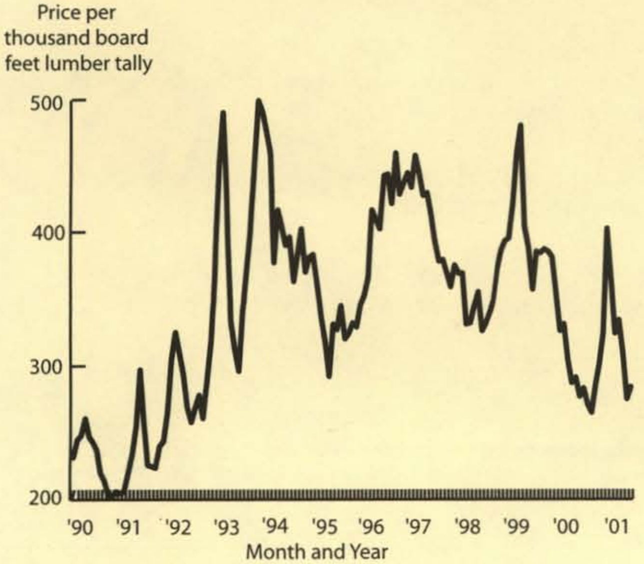
Operating Conditions

The year 2000 brought Idaho's wood and paper products industry the poorest operating conditions since the 1990 –1991 recession, and the situation worsened in 2001. Virtually all segments of the industry experienced lower product prices, with lumber continuing its extreme volatility. The year 2001 began with the lowest lumber prices since 1992. Prices spiked in May but dropped again throughout the latter half of 2001, reaching levels close to January 2000 lows (Figure 1). During the past year, several major Idaho facilities closed, and curtailments occurred at approximately half of the state's major wood products processing plants, according to an annual survey done as part of this outlook analysis.

Some factors that have contributed to sharp declines in production, sales, and employment include:

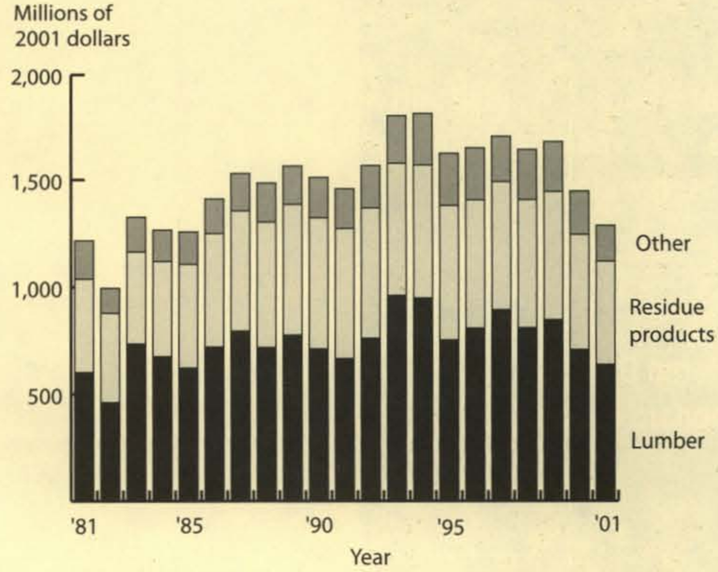
- the national and global economic recession exacerbated by the September 11th terrorist attacks,
- the expiration of the Canadian softwood lumber agreement,
- a high valued U.S. dollar,
- continued low federal harvests, and
- high energy costs early in the year.

Figure 1
Nationwide Composite Lumber Prices
Monthly, 1990-2001



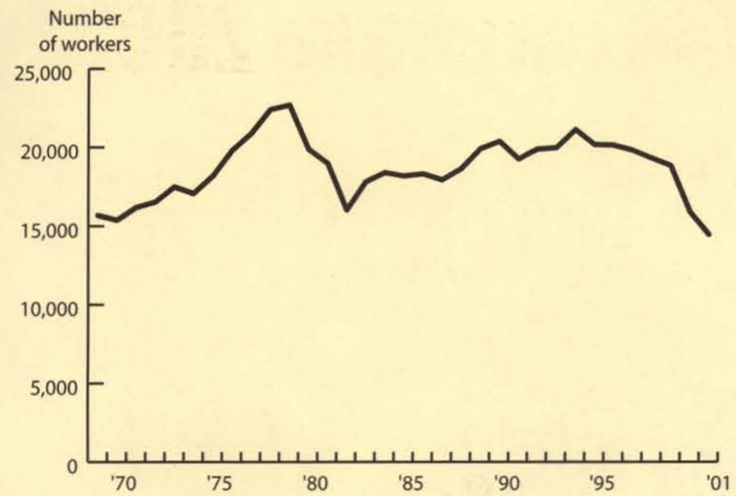
Source: Random Length Publications.

Figure 2
Sales Value of Idaho's Primary Wood Products
1981-2001



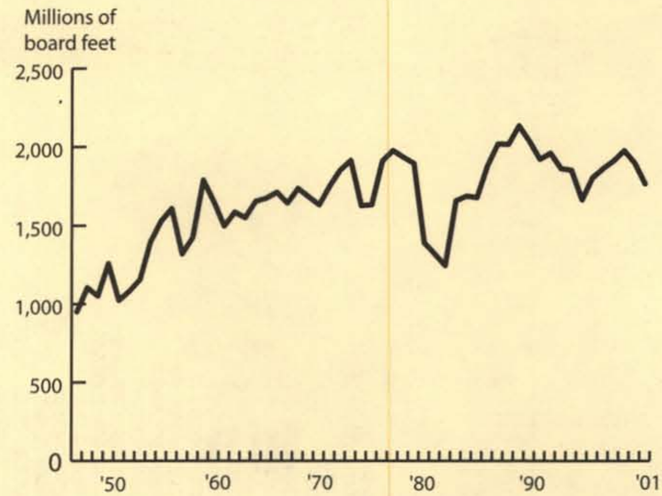
Source: American Plywood Association; Bureau of Business and Economic Research, The University of Montana-Missoula; Western Wood Products Association.

Figure 3
Employment in Idaho's Forest Products Industry
1969-2001



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

Figure 4
Idaho Lumber and Structural Panels Production
1947-2001



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

2001 Sales, Employment, Production

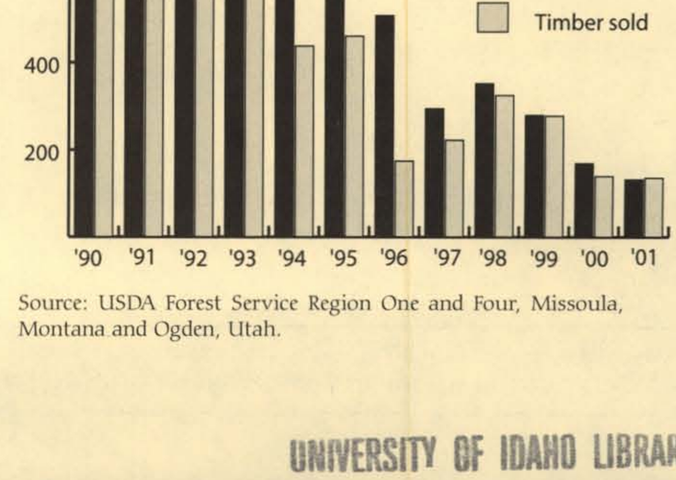
Estimated total sales value of Idaho's primary wood and paper products in 2001 was $1.3 billion, down about 11 percent from approximately $1.45 billion in 2000 (Figure 2). Estimated forest industry employment was 14,460, a decrease of about 1,400 workers from 2000 (Figure 3).

Idaho's estimated lumber production was less than 1.8 billion board feet in 2001, down about 7 percent from 1.9 billion board feet in 2000 (Figure 4). Due to closures and curtailments, plywood production decreased about 20 percent from 2000 levels. Weak paperboard markets also led to temporary curtailments in November.

Boise Cascade Corporation permanently closed its Idaho lumber and plywood operations in mid-2001 due primarily to steep drops in national forest timber offerings (Figures 5 and 6). For South Idaho, the closure of the Emmett and Cascade mills will have substantial impacts on local economies and demand for sawtimber.

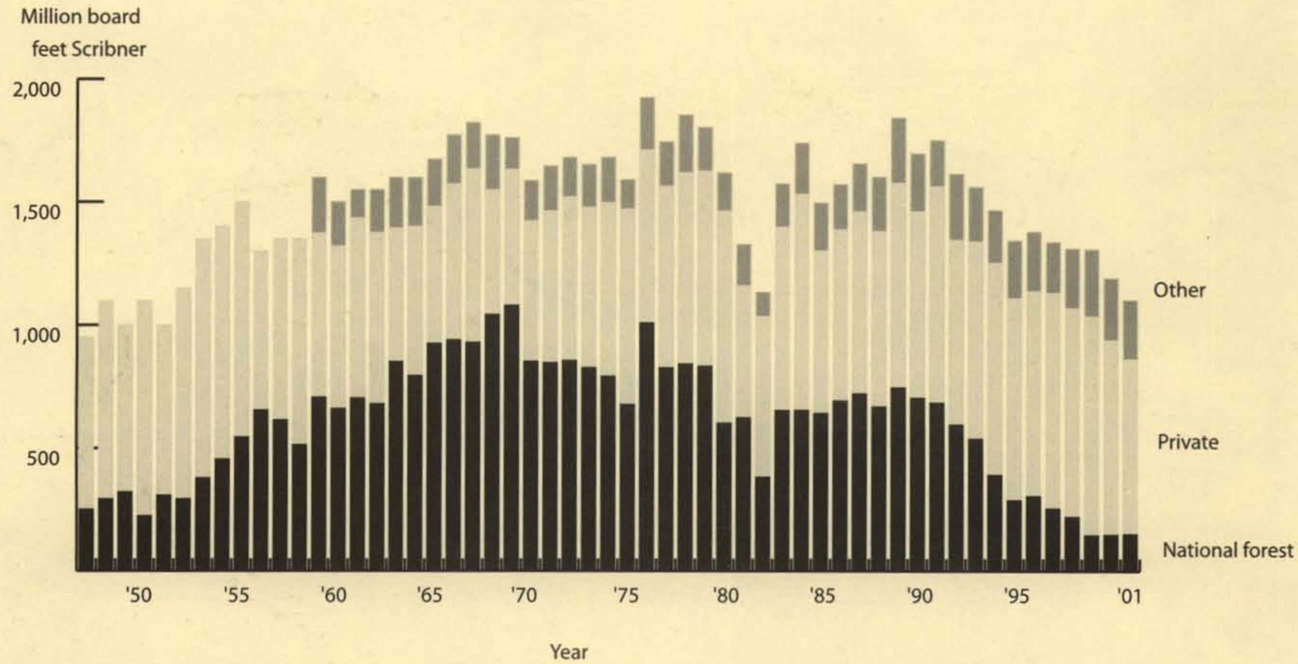
Among the positive factors for the industry have been the declines in energy costs and mortgage rates during 2001. Lower electricity, oil, and gas prices in the last half

Figure 5
National Forest Timber Cut and Sold Volumes, Fiscal 1990-2001



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

Figure 6
Idaho Timber Harvest by Ownership
1947-2001



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

of the year have reduced milling and logging operating costs. Low mortgage rates have kept the nation's building activity at relatively high levels despite the recession and poor consumer confidence. Poor economic conditions through much of the world, a high valued U.S. dollar, and the expiration of the Canadian softwood lumber agreement have made the United States the major target market for softwood lumber producers worldwide. This situation has lead to weak prices, a decline in lumber production throughout the United States, and an increase in imports of lumber from other countries, Canada in particular.

Outlook

The outlook for 2002 indicates limited improvement. The U.S. economy is projected to be in a recession into the first quarter of 2002, and nationwide consumption of wood products is expected to decline in the next year, with worldwide economic conditions even weaker. Most of the major processors in Idaho do expect overall operating conditions to be the same as or better than 2001. This appears more reflective of improvement in areas like energy costs and other raw material costs rather than expectations that 2002 will bring dramatically higher prices.

The success of the campaign against terrorism, the timing of global economic recovery, and the resolution of the Canadian softwood lumber import dispute are other issues that make for an uncertain outlook for 2002. As markets improve in the longer term, timber availability remains a major issue for Idaho's forest products industry.

Additional copies of this publication are available at $2.00 per copy (postage prepaid). Checks should be made payable to The Forest Products Department and sent to: Forest Products Department, PO Box 441132, University of Idaho, Moscow, ID 83844-1132