

Conditions for Idaho's Forest Products Industries Improved in 2013, a Trend Expected to Continue in 2014

"Idaho's Forest Products Industry Current Conditions and 2014 Forecast" reports that conditions for Idaho's wood and paper products manufacturing industry continued a four-year improvement trend. Compared to 2012, all segments of the industry improved during 2013. Employment increased slightly, and worker earnings averaged \$53,000 per employee, compared to the all-industries average of \$41,600. The industry continues to make substantial contributions to the state's economy. Industry growth is expected to continue in 2014 and that will further its economic impact in the state.



Nationwide Operating Conditions 2013

2013 was the first year of dramatic improvement in the industry since the economic recession ended in 2009. U.S. housing starts grew 15 percent, to more than 900,000. Lumber prices responded accordingly, reaching an eight-year high in the spring. Prices dropped temporarily mid-year as housing starts slowed, but both picked up later in the year, leading to lumber prices finishing 19 percent higher than 2012.

Idaho Industry Sales, Employment and Production 2013

Sales value of Idaho's wood and paper products manufacturing industry was estimated at almost \$2.4 billion, an increase over 2012. Through the multiplier effect, estimated by an economic impact model, each dollar of forest products industry sales that are exported from the state generates an additional \$0.60 of sales in other industries such as trucking, heavy equipment, and many other purchased goods and services, for a total sales value of more than \$3.5 billion from converting timber into useful products.

In 2013, the various segments of the industry directly employed an estimated 10,510 workers, an increase from 10,200 workers in 2010. These high-paying jobs provide worker earnings that are 27 percent higher than the average for all Idaho industries. Through the multiplier effect, every job in the forest products industry related to export sales supported 1.7 jobs in other sectors of Idaho's economy, or another 9,280 jobs indirectly supported by the forest products industry.

Lumber products are the largest component of Idaho's wood products industry. Lumber production increased by more than 7 percent in 2013. The residuals from lumber manufacturing also added economic benefit by providing raw materials for Idaho's pulp and paper industry mills and for renewable sources of energy for steam boilers to kiln dry lumber, heat buildings, and produce electricity.

Timber harvest volume in Idaho was estimated at 1.1 billion board feet, a slight increase from the two previous years.

Timber harvest from private lands accounted for 56 percent of the total harvest. As in 2012, state endowment lands provided about one-third of Idaho's total timber harvest.





More than three-fourths of Idaho's timber resource is on federal lands, which provided about 10 percent of the 2013 harvest, typical of what the federal lands have provided over the past 10 years. Each million board feet of timber harvested and processed in the state provides 18 jobs (10 directly in forest products manufacturing, and 8 in supporting industries including trucking and heavy equipment), \$528,000 in labor income, and generates more than \$3.2 million in sales of goods and services.

Outlook for 2014

National forecasts for 2014 are good. Wood markets are expected to improve as new home starts continue to grow. Wood product prices are expected to increase as exports markets increase but are volatile. Idaho mills have unutilized capacity to handle this growing demand for wood products, again increasing revenue to Idaho.

Primary factors that will continue to affect the Idaho forest products industry's overall economic condition into 2014 include concerns expressed by industry executives about the

- national economy,
- housing market, and
- timber availability.



This document is Policy Analysis Group Fact Sheet No. 6, and is derived from the 4-page "Idaho's Forest Products Industry Current Conditions and 2014 Forecast" report available online at www.uidaho.edu/cnr/pag. Contact Jay O'Laughlin, professor and director of the University of Idaho's Natural Resources Policy Analysis Group at (208) 885-5776 or e-mail jayo@uidaho.edu.