

Idaho Forest Products Industry Review and Outlook

"Idaho's Forest Products Industry Current Conditions and 2016 Forecast" reports that conditions for Idaho's wood and paper products manufacturing industry were challenging in 2015, but the industry remained a steady contributor to Idaho's economy. Although harvest levels in Idaho were down slightly compared to 2014, lumber production was up slightly. Overall industry sales and employment remained about the same as they were in 2014. The outlook for 2016 is for continuing challenges for the industry.



Nationwide Operating Conditions 2015

Wood product markets struggled in 2015 due to multiple factors. While U.S. housing starts grew about 10 percent from 1.0 million in 2014 to 1.1 million in 2015 supporting domestic demand, a slowdown in the Chinese economy reduced exports of logs, lumber, and other wood products. The U.S. Dollar strengthened against most world currencies making the U.S. a prime destination for imported wood products and challenging domestic producers' abilities to sell into weakening domestic and foreign markets. The Softwood Lumber Agreement between Canada and the U.S. expired in October 2015, causing uncertainty in lumber markets for at least the next year.

Idaho Industry Sales, Employment and Production 2015

Sales value of Idaho's wood and paper products manufacturing was estimated at \$2.7 billion in 2015, the same as in 2014. Through the multiplier effect, estimated by an economic impact model, each dollar of forest products industry sales that were exported from the state generated an additional \$0.75 of sales in other industries such as trucking, heavy equipment, and many other purchased goods and services, for a total sales value of \$4.2 billion.

In 2015, direct employment in the various segments of the industry was estimated to be 11,980 jobs, the same as in 2014. Average worker earnings in the industry were \$56,600 per job, 39 percent higher than the average for all jobs in Idaho. Through the multiplier effect, every job in the forest products industry related to export sales supported 1.65 jobs in other sectors of Idaho's economy. Through inter-industry linkages, a total of 22,000 jobs in Idaho are supported by the forest products industry.



Lumber production was estimated to be about 1.75 billion board feet in 2015, up 5 percent from 2014. 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 1.05 billion board feet, a 5 percent decrease from 2014, but a 40 percent increase from the recession-induced level of 2009. Timber harvest from private lands accounted for 62 percent of the total harvest in 2015. State endowment lands provided 27 percent, and federal lands provided 11 percent.



Each million board feet of timber harvested and processed in the state provided about 20 jobs, 12 directly in the industry and 8 in supporting industries such as heavy equipment and trucking. These jobs provide about \$667,000 in wages and salaries, and \$3.85 million sales of goods and services.

Outlook for 2016

National forecasts for general economic conditions in 2016 are for modest growth, lower unemployment, and low inflation. Domestic and foreign wood products markets in 2016 are expected to remain challenging, as they were in 2015. If markets improve, many Idaho mills have underutilized capacity that can be used to respond accordingly.

A survey of large Idaho forest product manufacturers in November 2015 revealed 3 major factors of concern to businesses in 2016: market demand for lumber with good pricing, retaining a skilled workforce, and access to timber supply.

This document is derived from the 4-page "Idaho's Forest Products Industry Current Conditions and 2016 Forecast" report available at: www.uidaho.edu/idaho-conditions.

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