

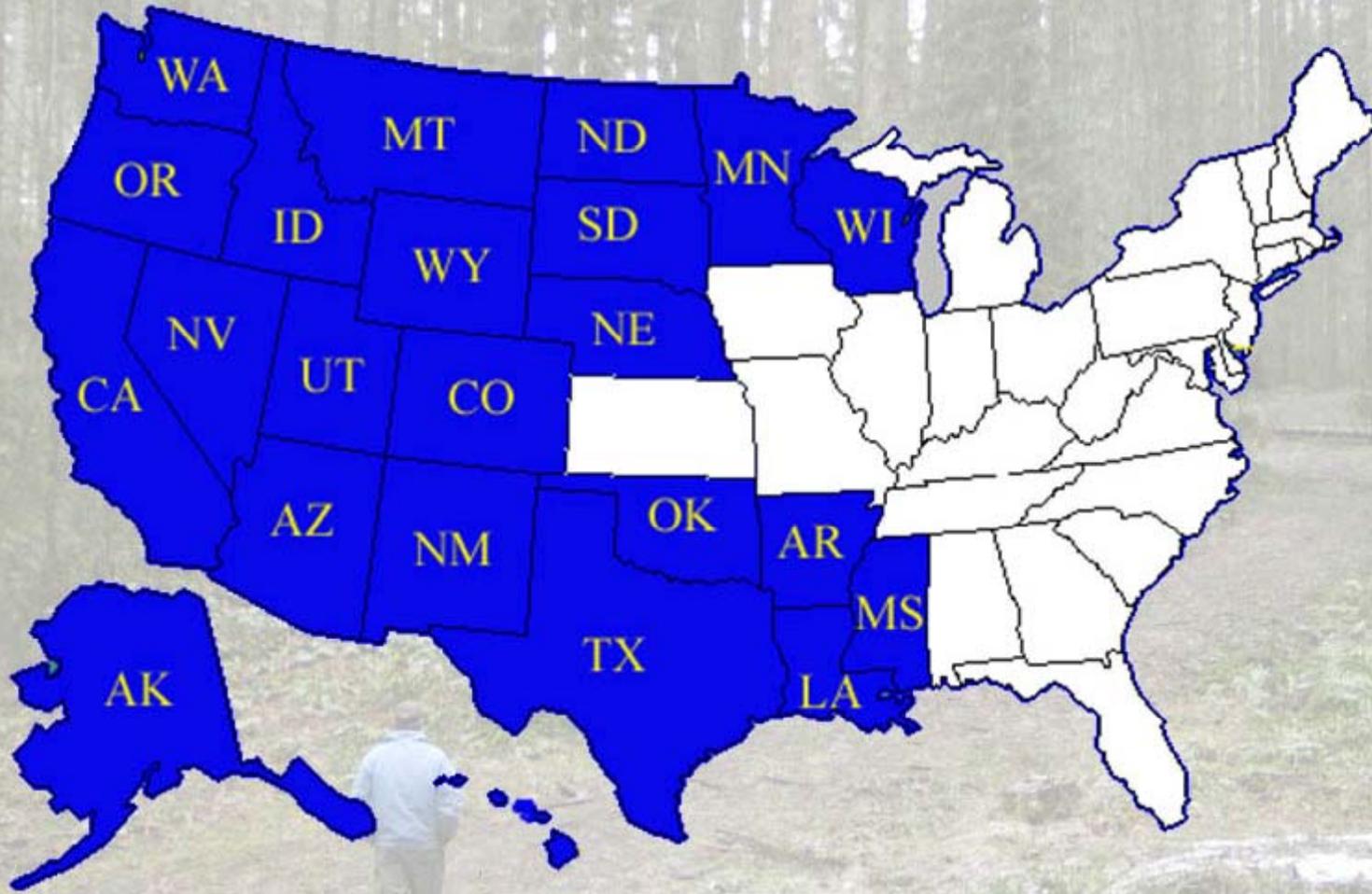


# **Forest Products Condition & Outlook Western States Land Commissioners Association**

**Charles E. Keegan**

**Bureau of Business and Economic Research**

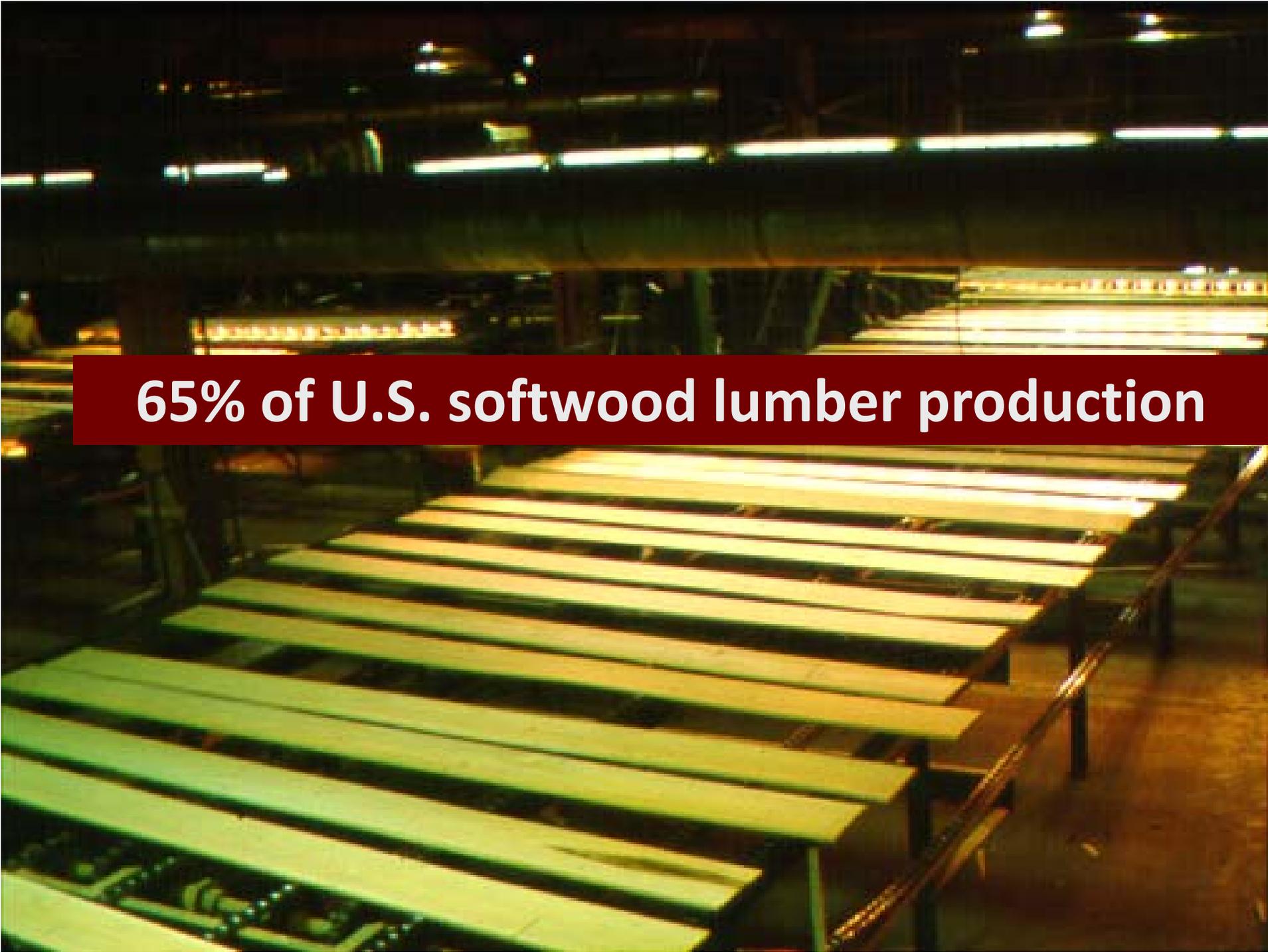
**The University of Montana**



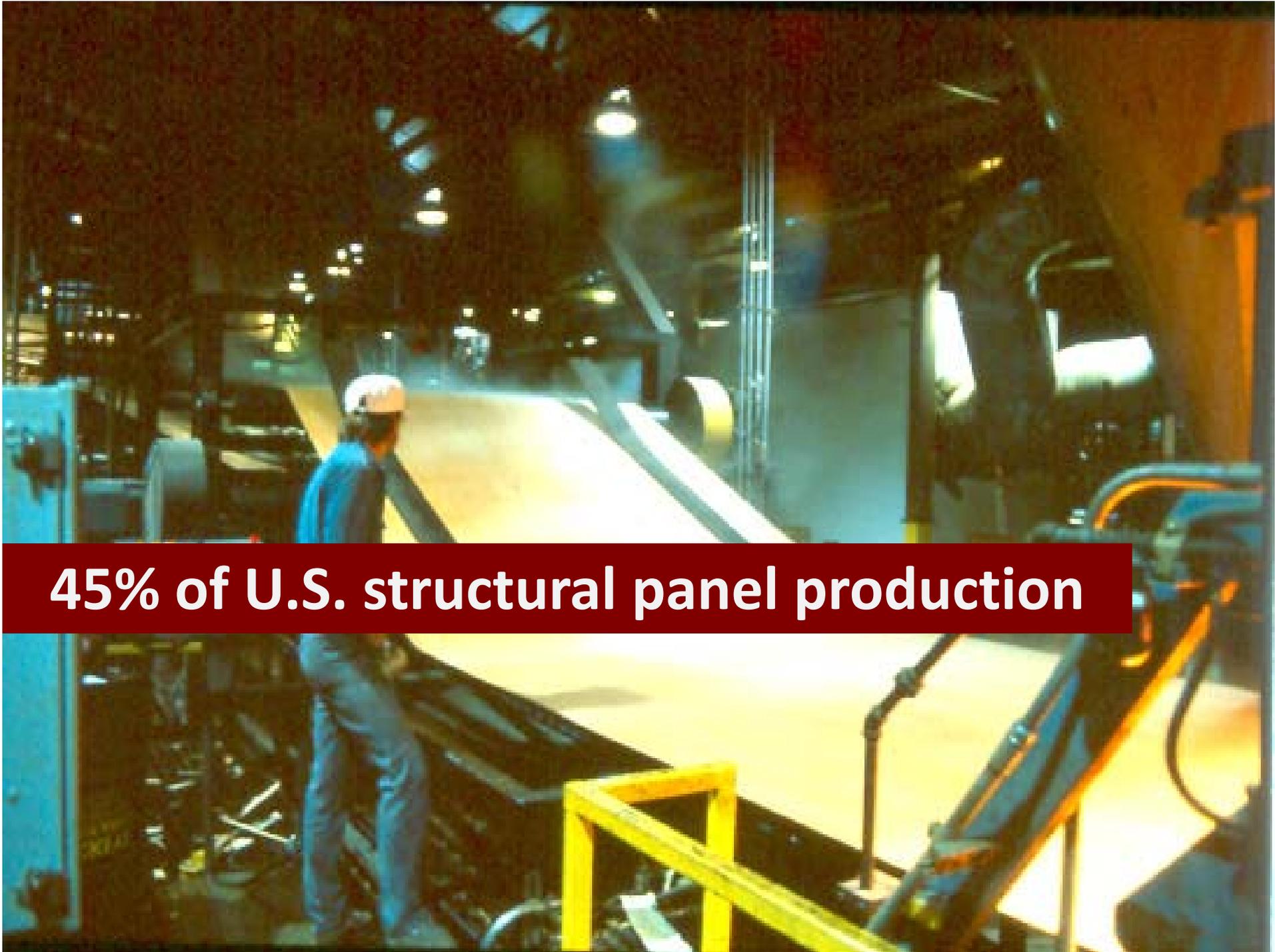
**WSLCA Region**

**40 % of U.S. timber harvest**





**65% of U.S. softwood lumber production**



**45% of U.S. structural panel production**



PAUL SCHILLING

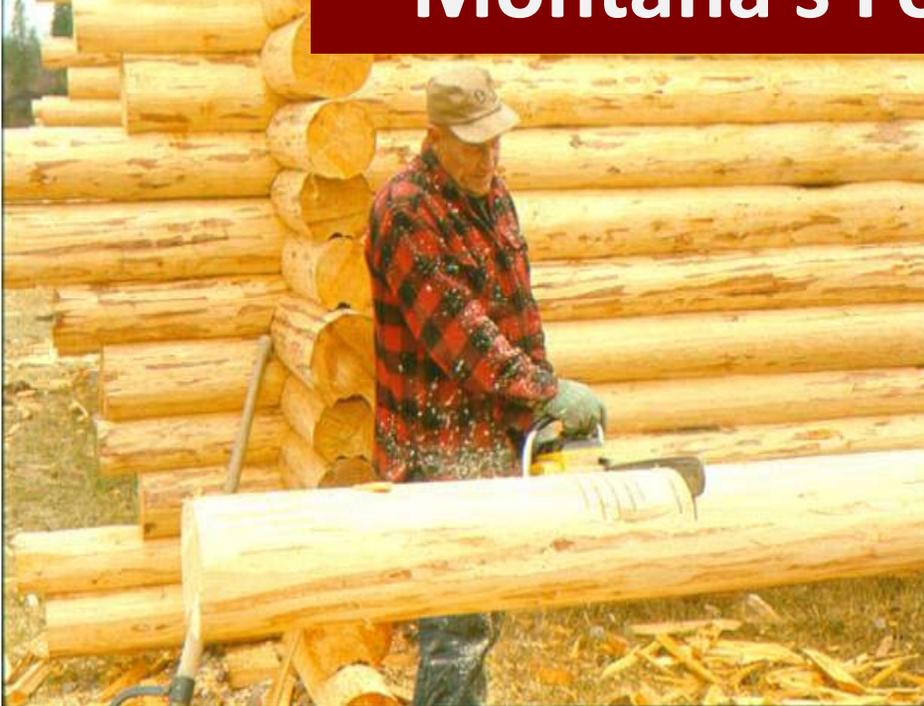
**Over 1/3 of U.S. pulp and paper sales**



- **Value of production wood and paper products pre-recession was \$120 billion annually**
- **Logging, wood, and paper manufacturing prior to current downturn employed approximately 450,000 workers \$20 billion annually in labor income/compensation**



# Montana's Forest Products





### Montana Primary Wood Processing Facilities, 2007



Map Created by Timothy P. Spelman, Bureau of Business and Economic Research, The University of Montana, Missoula, MT.  
 Source Data courtesy of SRS, Inc., Montana Natural Resource Information System (NRIS) and Bureau of Business and Economic Research.  
 For more information, contact Tim Spelman (tspelma@business.umt.edu) or WRT (wrt@business.umt.edu).  
 Last updated April 8, 2007.



## Recent Market Conditions

**2003-2004-2005**

“Lumber Consumption At Record Levels”

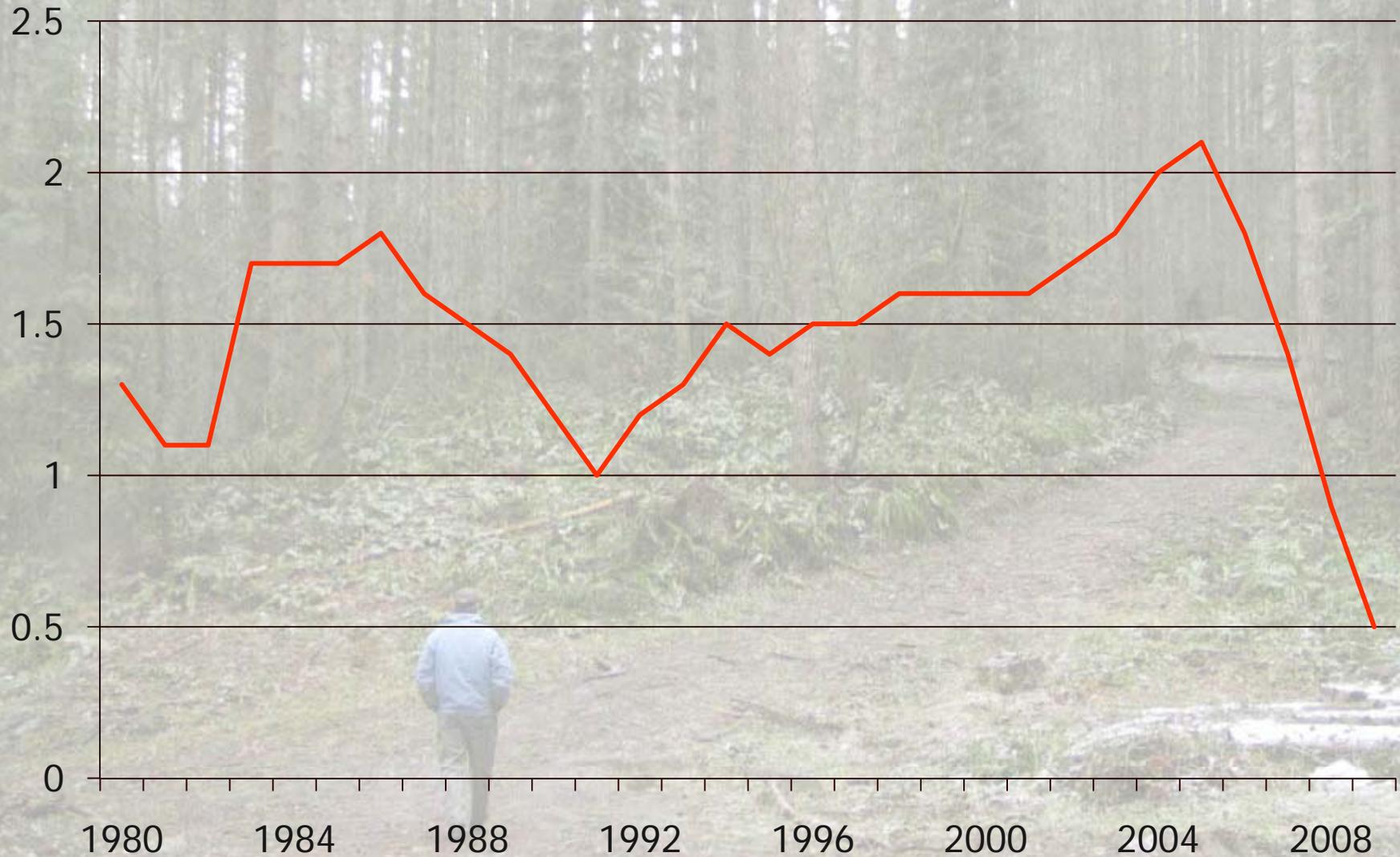
**2006-2007-2008**

“Housing starts tumble ...”

**2009**

“Demand for lumber in the U.S. at the lowest level in modern history”

# Housing Starts





## Impacts in the Region

- Numerous mill closures and curtailments
- Value of output down 25 % (over \$30 billion) relative to 2005
- Decline 75,000 – 100,000 workers in 2009 (20 percent of the pre-recession work force)





# Montana Forest Products Industry 2009 Recap

- 2009 curtailments at virtually every major mill in Montana





## **Montana Forest Products Industry 2009 Recap**

- **Employment down 20% from 2008 and 30 percent since 2005**
- **Product sales value down by over 50%**
- **2009 lumber production less than half the 2005 output**
- **Loss of three large sawmills and the major user of small diameter timber and fiber**



# Forest Products Outlook

- **Modest uptick in markets 2010 and 2011**
- **Extended weak markets will likely lead to additional permanent closures in the region**





# Positive Outlook

- Longer term - Demand for wood markets will grow
- Some competing regions will see harvest declines
- New market opportunities may develop – energy, carbon, cellulosic products ...



# Implications for State Trust Lands

- With recent poor markets sellers of timber - including state trust lands - have realized lower prices
- Industry infrastructure loss is a concern
- Potential exists for good prices for timber products in the long run





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RESEARCH**



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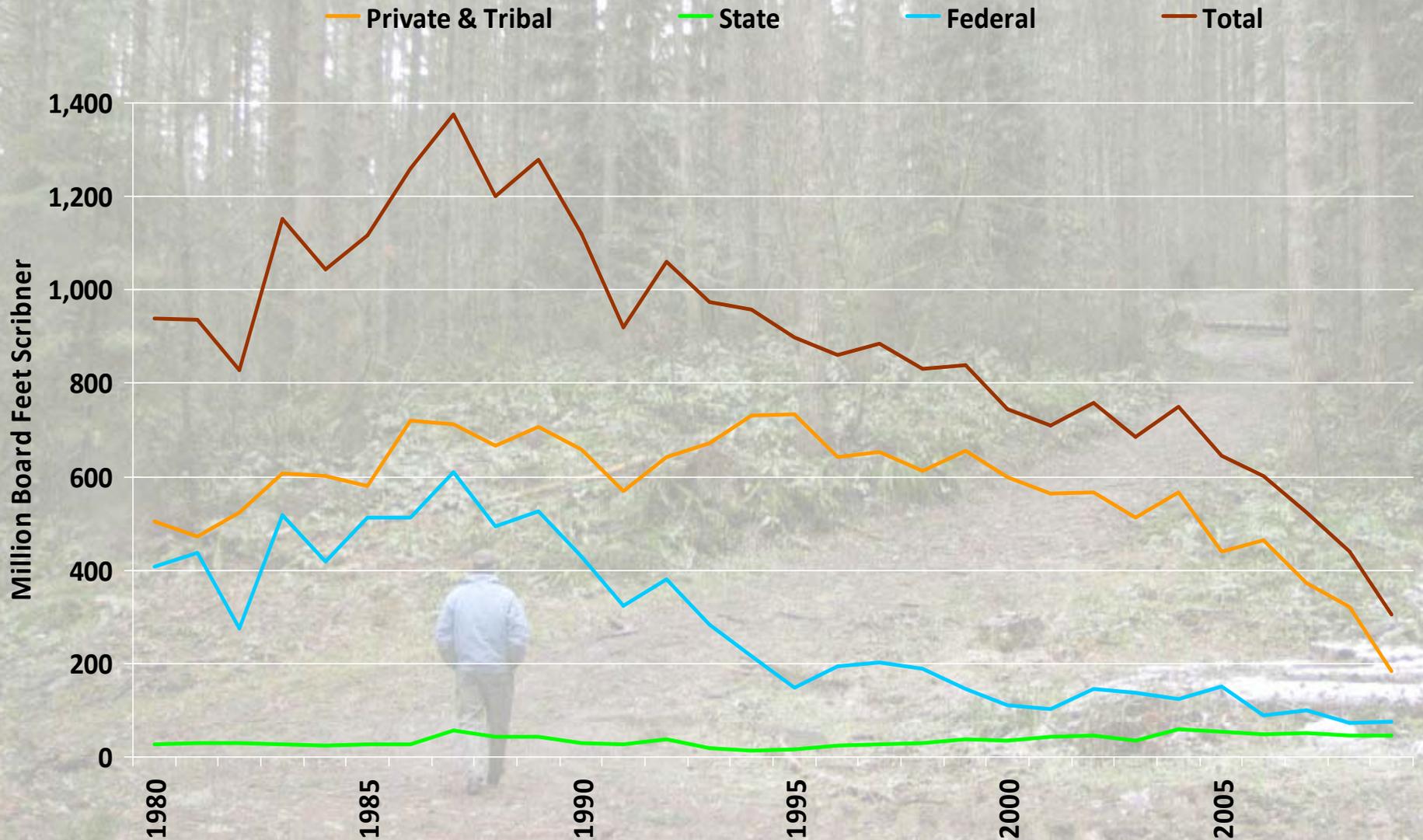
**Internet: [www.BBER.umt.edu](http://www.BBER.umt.edu)**



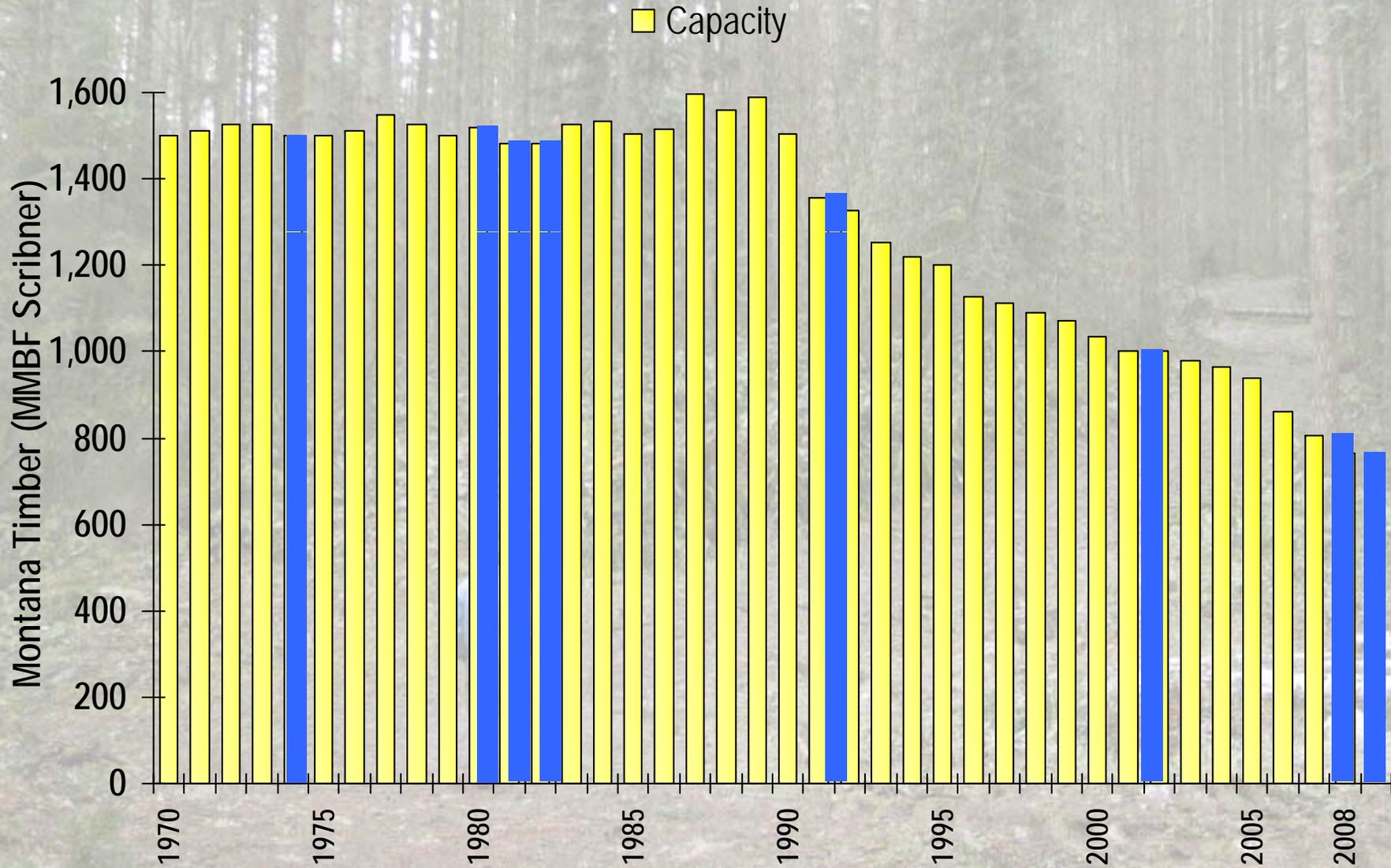
# Montana Forest Products Forecast

- **2010 markets expected to be better than 2009**
- **Timber harvest & lumber production volumes expected to remain low with loss of mills**
- **Employment expected to be lower**
- **Forests will become more expensive to manage**
- **Not out of the woods yet!**

# Montana Annual Timber Harvest, 1980-2008



# Montana Timber-Processing Capacity 1970-2008



# Montana Timber-Processing Capacity 1970-2008

