Only 35 percent of the facilities surveyed anticipate an increase in production, while 45 percent expect to experience greater sales in 2008. Just over one-half of the facilities surveyed said they expected to see an increase in profits from 2007 to 2008, while only 17 percent stated they expect profits to decrease. Furthermore, 31 percent stated that they expect to see a price increase on their products, while 46 percent of the respondents expected prices to stay about the same as those in 2007.

After general market conditions, the majority of producers mentioned raw material availability and cost as major issues that will affect their operations in 2008. Concerns over timber availability generally focus on national forest lands. Other major concerns expressed by mill managers for 2008 included increases in health insurance, transportation and energy costs, and the availability of qualified personnel.
Idaho’s Forest Products Industry: Current Conditions and Forecast, 2008

Operating Conditions
A second weak year in the U.S. housing industry continued to negatively impact Idaho’s forest products industry during 2007. U.S. housing starts peaked in 2005. By the end of 2007, housing starts were down about a third from that peak and at their lowest levels in the past 10 years. Meanwhile, the inventory of unsold homes, number of foreclosures, and interest rates on mortgages increased. In response to the national housing decline, lumber prices fell 5). After that time, timber harvest began to decline while lumber tally were roughly equal from 1947 to 1983 (Figure 5). Private land harvest, including industry and non-industrial private lands, was about 9 percent below 2006. The harvest from federal lands was down about 7 percent. Low prices combined with persistent legal, budgetary, and administrative problems led to the second lowest federal harvest since World War II (Figure 4). Harvest from state lands was down about 2 percent from 2006.

Fifty-nine percent of wood and paper product manufacturers indicated a decrease in profits for 2007, while only 26 percent indicated an increase. Forty-nine percent of responding manufacturers indicated a decrease in sales, and 48 percent indicated a decrease in production. Furthermore, the number of plants that made major capital expenditures went down to 48 percent in 2007 from 57 percent reported in 2006. Note that timber harvest, expressed in board foot (measured at the small end), and some mills were processing very small-diameter logs (less than 6 inches in diameter). This exposed a weakness in the Scribner log scale that resulted in under scaling of these small-diameter logs.

Outlook for 2008
Weak markets and mill curtailments are expected into 2009, with housing starts for 2008 expected to be lower than 2007 levels. Information gathered from the annual survey of Idaho manufacturers indicates that they perceive a continuation of weak markets in 2008. Overall, 61 percent of the survey respondents do not expect improved operating conditions in 2008.