Idaho’s Forest Products Industry
Current Conditions and 2011 Forecast

Produced by
The Inland Northwest Forest Products Research Consortium, a research cooperative 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.

The authors of this report are:

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


Steven W. Hayes, Research Forester, Bureau of Business and Economic Research, The University of Montana, Missoula, Montana, (406) 243-5113

Colin B. Sorenson, Research Economist, Bureau of Business and Economic Research, The University of Montana, Missoula, Montana, (406) 243-5113

Steven R. Shook, Professor of Marketing, College of Business and Economics, University of Idaho, Moscow, Idaho, (208) 885-6802

Francis G. Wagner, Professor of Forest Products, College of Natural Resources, University of Idaho, Moscow, Idaho, (208) 885-6700

Jay O’Laughlin, Professor of Forestry and Policy Sciences, College of Natural Resources, University of Idaho, Moscow, Idaho, (208) 885-5776
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Operating Conditions
The awful economic conditions experienced by the forest products industry in 2009 improved only slightly during 2010, as lumber consumption in the United States remained at historically low levels. On a more optimistic note, softwood lumber exports increased by more than 50 percent. Annual U.S. housing starts, after bottoming out at 554,000 units during 2009—their lowest level in more than six decades—rebounded about 10 percent to just under 600,000 units for 2010. By comparison, as recently as 2005 housing starts exceeded 2 million units per year. The depressed housing market was accompanied by curtailed lumber production at mills throughout North America. Nevertheless, due to increased exports and a slight uptick in housing starts, the average U.S. lumber price during 2010 was approximately 27 percent higher than during 2009 (Figure 1).

Idaho Industry Sales, Employment, and Production during 2010
The University of Montana’s Bureau of Business and Economic Research (BBER), in cooperation with the College of Natural Resources at the University of Idaho, conducted a survey of Idaho’s wood products manufacturers in December of 2010 as part of the Inland Northwest Forest Products Research Consortium’s ongoing efforts to quantify and describe the region’s forest industries. The survey had a response rate of 69 percent, with 88 of Idaho’s largest primary and secondary wood processing facilities replying to our questions. Results of the survey indicate that for Idaho’s major wood products manufacturers, 2010 was only marginally better than 2009.

Sales and production by wood-based businesses operating in Idaho increased at 30 percent of the responding firms. However, 45 percent reported decreases in sales, and 48 percent decreased production. This is an improvement from 2009, when more than 80 percent of respondents indicated decreases in profits, sales, and production, and fewer than 10 percent reported increases.

The proportion of wood and paper products manufacturers temporarily curtailing production during the year remained high but dropped from 60 percent in 2009 to 45 percent in 2010. The number of facilities that reported making major capital expenditures fell from 19 percent in 2009 to 15 percent in 2010 indicating continued concerns about economic recovery among Idaho wood-based manufacturers. Profitability continued to suffer with 53 percent of respondents indicating decreased profits for 2010 and 23 percent indicating increased profits.

Sales value of Idaho’s primary wood and paper products manufacturers for 2010 was estimated at just over $1.5 billion up $170 million (approximately 12 percent) from the revised 2009 sales value of $1.32 billion (Figure 2). The sales increase was due primarily to higher lumber prices and
slightly higher production. Estimated value of secondary wood products produced from the further processing of primary products declined to less than $300 million in 2010 down from approximately $330 million in 2009. By comparison, during the strong markets in 2004 and 2005 primary sales were nearly $2 billion with an additional $1 billion in secondary wood product sales. The number of forest industry workers (including those self-employed) was an estimated 10,300 for 2010 which was unchanged from 2009 but down by 2,100 workers from 2008 and 4,100 from 2006 (Figure 3), the last good business year before the recent economic recession and subsequent slow recovery from it.

Lumber production, the largest component of Idaho’s forest products industry, increased to an estimated 1.2 billion board feet lumber tally in 2010 which was up 9 percent from 2009 (Figure 4). Timber harvest volume in Idaho during 2010 was estimated at 830 million board feet (Scribner log scale) or up 10 percent from 2009. These are the lowest timber harvest volumes since the Second World War (Figure 5). Timber harvest from private lands accounted for more than 60 percent of the volume and was up slightly in 2010 over 2009. State lands provided just under one-third of Idaho’s total harvest which was up about 40 percent from 2009. Federal lands provided about 10 percent of the 2010 harvest, and volume declined about 10 percent from 2009 (Figure 5).

Outlook for 2011

National forecasts for 2011 call for a modest uptick in the U.S. economy, housing starts, and consumption of wood and paper products, with larger improvements to follow in 2012. Idaho’s wood products industry executives expressed some optimism about

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Source: Bureau of Business and Economic Research, The University of Montana-Missoula; USDA Forest Service Region One, Missoula, Montana; Western Wood Products Association.
the future with 45 percent expecting operating conditions in 2011 to be better than 2010 and 43 percent expecting conditions to be about the same as 2010, a more optimistic outlook than last year (Figure 6).

More than half of the respondents (54 percent) expect profits to increase from 2010 to 2011, whereas 10 percent said they expect to see profits decrease. Slightly less than one-half (48 and 43 percent) of Idaho wood manufacturers expect increased sales and production, with 10 percent expecting decreases. Furthermore, 28 percent expect increased prices for their products, but 56 percent of the respondents expect prices to stay about the same as during 2010.

Nearly all of Idaho’s wood products industry executives mentioned general market conditions and the overall economic condition as the major issues that affected their operations in 2010, and that will continue to affect their operations in 2011. They also mentioned raw material availability, health insurance costs, legislation and increases in transportation and energy costs as major issues that will continue to impact their operations.