percent of the 2011 harvest, as harvest volume from U.S. national forests increased about 30 percent compared with 2010 (Figure 5). In summary, each million board feet of timber harvested and processed in the state provides 18 jobs, $614 thousand in labor income, and generates more than $2.6 million in sales of goods and services.

Outlook for 2012

National forecasts call for slow, modest growth in the U.S. economy as well as consumption of wood and paper products. U.S. housing starts are not expected to recovery substantially until 2013 and beyond. Idaho’s wood products industry executives responding to our survey expressed guarded optimism about the future, with 34 percent expecting operating conditions in 2012 to be better than 2011, and 59 percent expecting conditions to be about the same as 2011. (Figure 6).

Slightly less than half of the respondents (47 percent) expect profits to increase from 2011 to 2012, whereas only 4 percent said they expect to see profits decrease. Less than one-half of Idaho wood products manufacturers expect increased sales and production (45 and 40 percent, respectively), with 3 percent expecting decreases. Furthermore, only 24 percent expect increased prices for their products, while 67 percent of the respondents expect prices to stay about the same as during 2011.

Factors constraining industry growth potential. Nearly all of Idaho’s wood products industry executives mentioned general market conditions, housing starts and the overall economic condition as the major issues that affected their operations in 2011, and these factors will continue to affect their operations in 2012. Industry executives also mentioned raw material availability, health insurance costs and legislation, and increases in transportation and energy costs as major issues that will continue to impact their operations.
Idaho’s Forest Products Industry
Current Conditions and 2012 Forecast

Operating Conditions
Conditions for Idaho’s forest products industry improved somewhat during 2011. Employment and output at Idaho mills were up slightly, as were timber harvests. U.S. housing starts, coming off record lows of 2009 and 2010, increased about 15 percent, up to approximately 630,000 starts for 2011. Commodity lumber prices, however, were about 5 percent lower in 2011 than during 2010 (Figure 1), so the net effect was essentially no increase in Idaho forest product sales from 2010 to 2011. The total impact of the industry on Idaho’s economy was a decrease in employment and profits. Economic conditions and raw material availability, among other things, continued to impact Idaho’s major wood products manufacturers, and future growth in the industry is constrained by overall economic conditions. Profitability to 31 percent in 2011, indicating some optimism about economic recovery among Idaho wood-based manufacturers. Profitability remained flat, on average, with 29 percent of respondents indicating increasing profits for 2011 and 31 percent indicating decreasing profits.

Sales trend. Sales value of Idaho’s primary wood and paper products manufacturers for 2011 was $1.5 billion, essentially unchanged from 2010 (Figure 2). Lumber production, the largest component of Idaho’s wood products industry, increased to an estimated 1.33 billion board feet (lumber tally) in 2011, up 6 percent from 2010 (Figure 3). However, sales did not increase in 2011 because a drop in lumber prices offset the increase in lumber production. Secondary wood and paper products are manufactured by further processing of primary products, and sales increased to an estimated $325 million in 2011, up from about $300 million in 2010. By comparison, the strong years in 2004 and 2005 sales of primary products were nearly $2 billion with an additional $1 billion in sales of secondary products.

Economic impact of sales. Because of linkages to supporting industries each dollar of wood and paper products sold and exported from the state generates, on average, an additional $6.00 in wages from other industries within the state. About 84 percent of the wood products manufactured in Idaho are exported elsewhere, and we assume all paper products are exported. Using the output multipliers in the IMPLPLAN model, the total impact in Idaho from converting timber into consumer products is more than $2.8 billion in sales, of which almost $1 billion are sales in industries that support forest products manufacturing, such as forestry, logging, heavy equipment, and trucking. Employment and labor income impact. Direct forest industry employment during 2011 was about 10,267 workers (including private sector foresters and loggers, primary and secondary wood and paper product manufacturers, and forestry support activities). Employment increased by about 5 percent from 9,767 workers in 2010, but was 2,050 workers less than in 2008 and 4,181 fewer than in 2004 (Figure 4), which was the last year before the recent economic recession and subsequent slow recovery. The IMPLPLAN model estimates that every export-related job in the forest products industry supported, on average, 1.7 jobs in other sectors of Idaho’s economy. To summarize, an estimated total of 19,274 jobs are generated by converting timber to useful consumer products in Idaho due to inter-industry linkages and the multiplier effect. Similarly, each dollar of labor income in the forest products industry attributable to export sales on average generated $1.10 of wages in supporting industries, for a total labor income impact of $654 million from Idaho’s forest products industry.

Footnote to Fig. 3
Volume of timber harvested, expressed in board foot Scribner scale, and lumber production, expressed in board foot lumber tally, were roughly equal from 1947 to 1983 (Figure 3). After that time, timber harvest began to decline while lumber production continued to increase. Several factors contributed to this divergence. One factor was improvements in sawmill efficiency. In the mid 1980s, Idaho’s sawmills started to incorporate quality control and size control practices, improved sawblade technology, and computerized process control. A second factor was that Idaho’s plywood industry began to decline in the 1980s, while lumber production continued to increase. Several employees than 2006 (Figure 4), which was the last year before the recent economic recession and subsequent slow recovery. The IMPLPLAN model estimates that every export-related job in the forest products industry supported, on average, 1.7 jobs in other sectors of Idaho’s economy. To summarize, an estimated total of 19,274 jobs are generated by converting timber to useful consumer products in Idaho due to inter-industry linkages and the multiplier effect. Similarly, each dollar of labor income in the forest products industry attributable to export sales on average generated $1.10 of wages in supporting industries, for a total labor income impact of $654 million from Idaho’s forest products industry.

Idaho’s Forest Products Industry
Employment trend and labor income impact. Direct forest industry employment employment during 2011 was about 10,267 workers (including private sector foresters and loggers, primary and secondary wood and paper product manufacturers, and forestry support activities). Employment increased by about 5 percent from 9,767 workers in 2010, but was 2,050 workers less than in 2008 and 4,181 fewer than in 2004 (Figure 4), which was the last year before the recent economic recession and subsequent slow recovery. The IMPLPLAN model estimates that every export-related job in the forest products industry supported, on average, 1.7 jobs in other sectors of Idaho’s economy. To summarize, an estimated total of 19,274 jobs are generated by converting timber to useful consumer products in Idaho due to inter-industry linkages and the multiplier effect. Similarly, each dollar of labor income in the forest products industry attributable to export sales on average generated $1.10 of wages in supporting industries, for a total labor income impact of $654 million from Idaho’s forest products industry.

Figure 3
Idaho Timber Harvest and Lumber Production
1947-2011

Figure 4
Employment in Idaho’s Forest Products Industry
1990-2011

Figure 2
Sales Value of Idaho’s Primary Wood Products
1980-2011

Figure 1
Nationwide Composite Lumber Prices
Monthly, 1990-2011