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DIRECTOR
Kurt S. Pregitzer, Ph.D.

Idaho's Forest Products Industry 2016

This report is a product of the:

Policy Analysis Group
College of Natural Resources
University of Idaho
Moscow, ID
(208) 885-5776

CONTRIBUTORS INCLUDE:

Philip S. Cook, *Principal Researcher*

Raju Pokharel, Ph. D., *Post Doctoral Fellow*

Greg Alward, Ph.D., *Senior Researcher*

Dennis R. Becker, Ph.D., *Director*

Greg Latta, Ph.D., *Research Forest Economist*

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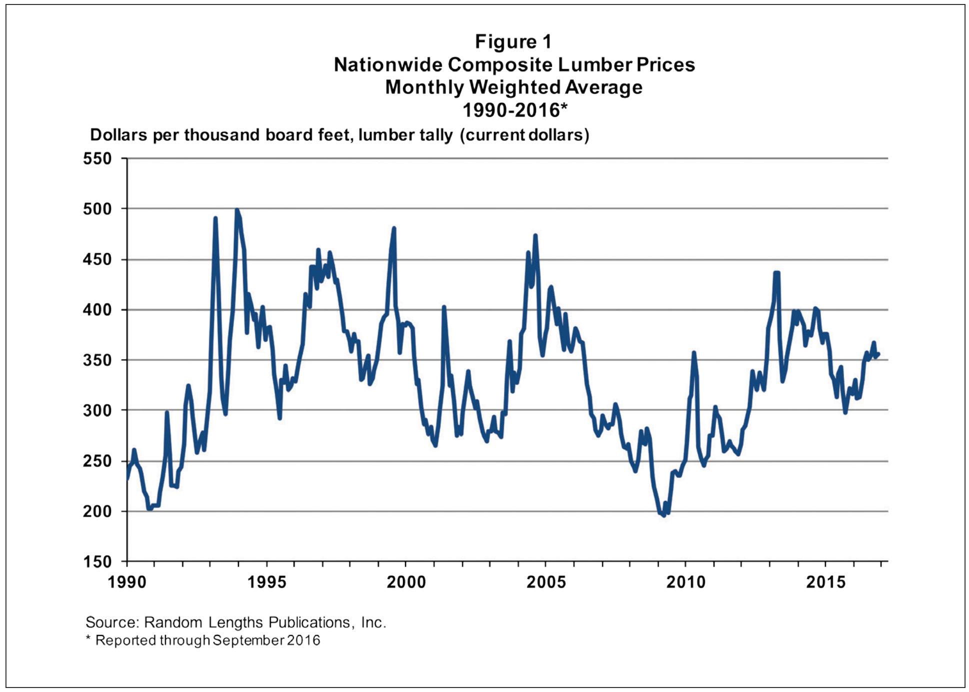
College *of* Natural Resources

Operating Conditions

In 2016, wood product markets remained sluggish due an array of factors. U.S. housing starts inched up only about 1 percent from 1.13 million annually in August 2015 to 1.14 million annually in August 2016. The slowdown in the Chinese economy continued with GDP growth falling again to 6.7 percent from as high as 12 percent in early 2010 leading to a continuation in reduced exports of logs, lumber, and other wood products from U.S. and Canadian producers to Asia. After a 0.25 percent rate increase in late 2015 the U.S. Federal Reserve may again raise interest rates at the end of 2016. In theory this should depreciate the U.S. dollar relative to other currencies and improve domestic producers' abilities to sell into foreign markets yet the outcome at such historically low rates is uncertain. The Softwood Lumber Agreement between Canada and the U.S. expired in October 2015 leading to a 22 percent increase in 2016 shipments to the U.S. through August. In response to this increase, the U.S. Lumber Coalition recently filed a new petition with the U.S. Department of Commerce opening up another round of negotiations for 2017.

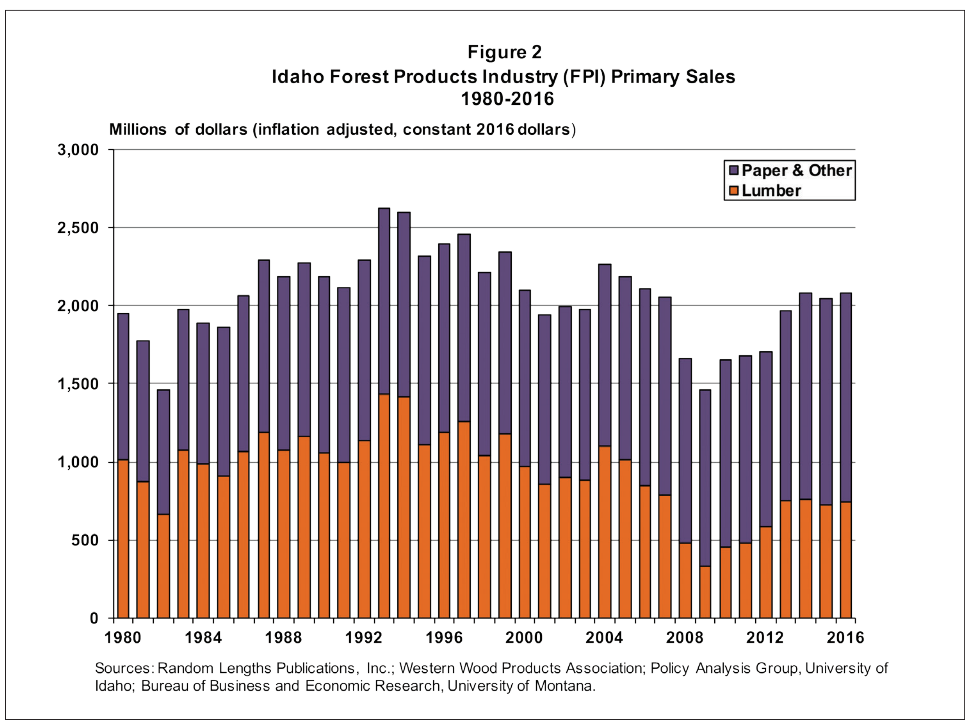


Lumber prices in 2016 through the third quarter were about 4 percent higher than 2015 **(Figure 1)** and panel prices were down about 6 percent. Despite these product price increases, average fourth quarter delivered sawlog prices in Idaho continued to move downward in 2016 for most species. Ponderosa pine sawlog prices saw the greatest reductions dropping 12 percent and 22 percent from fourth quarters in 2015 and 2014, respectively, with the largest reductions in smaller diameter logs. Western redcedar prices continue to avoid the downward trend, rising 8 percent and 14 percent from fourth quarters in 2015 and 2014, respectively, with the largest increases in smaller diameter logs.

Idaho Forest Products Industry Sales, Production, and Employment

SALES TREND BY INDUSTRY SEGMENT

Total sales of forest products manufactured in Idaho were estimated to be $2.67 billion in 2016, up almost 4 percent from the revised 2015 estimate of $2.57 billion. Sales of primary forest products manufactured in Idaho during 2016 were $2.08 billion, 2.2 percent higher than 2015 **(Figure 2)**. Lumber sales in 2016 were estimated at $745 million, up from $718 million in 2015. Paper and other primary product sales (including plywood) were estimated to be $1.34 billion, up 1.3 percent from 2015. Secondary forest product sales were estimated to be $586 million in 2016, up 10.3 percent from a revised 2015 estimate of $531 million.



LUMBER PRODUCTION TREND

Lumber prices increased in 2016 compared to 2015. Similarly, Idaho's 2016 lumber production was estimated to be up about 2 percent from 1.71 billion board feet (lumber tally) in 2015 to 1.75 billion board feet in 2016 **(Figure 3)**.

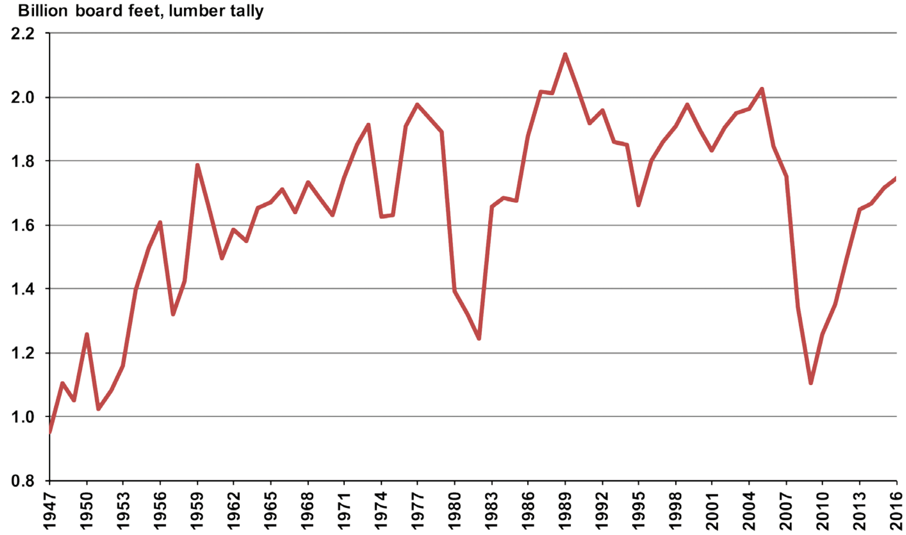
EMPLOYMENT

Direct employment in the forest products industry for 2016 was estimated to be 12,479 jobs, about 4 percent higher than 2015 **(Figure 4)**, reflecting the increased harvest and production levels. For more information about forest products industry employment, worker income, and value added to the state's economy, see "Economic Contributions of Idaho's Forest Products Industry 2015" (Idaho Forest, Wildlife and Range Experiment Station Bulletin 105).

FOREST PRODUCTS INDUSTRY BUSINESSES

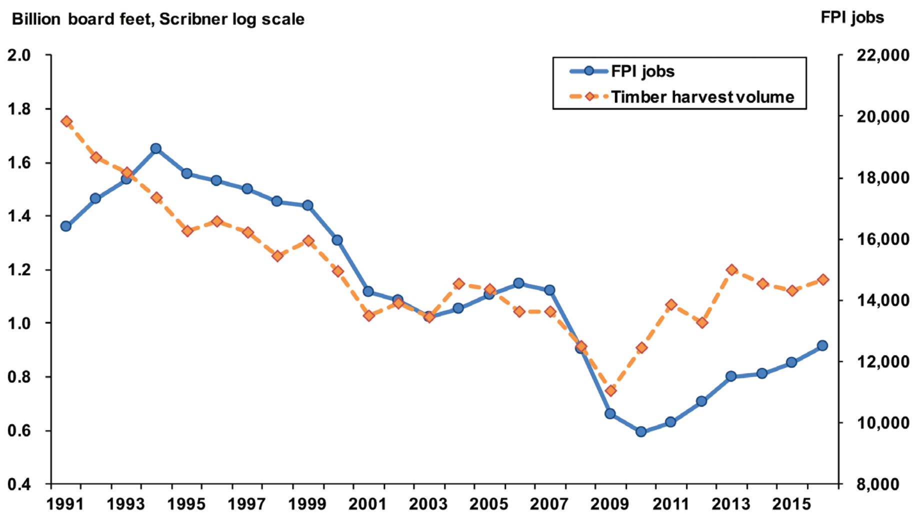
In early 2016, the Policy Analysis Group updated the forest products business directory of the Idaho Forest Products Commission. During 2016, 3 sawmills and 1 cedar products facility in Idaho closed. As of December 2016, the forest products business census identified 84 primary wood products businesses, 8 pulp and paper businesses, 126 secondary wood products businesses, 215 furniture and fixture businesses, and 58 merchant wholesalers **(Table 1)**.

Figure 3
Idaho Lumber Production
1947-2016



Sources: Policy Analysis Group, University of Idaho; Western Wood Products Association.

Figure 4
Idaho Timber Harvest and Direct Employment of Forest Products Industry (FPI)
1991-2016



Sources: Policy Analysis Group, University of Idaho; U.S. Department of Interior, Bureau of Land Management; U.S. Department of Interior, Bureau of Indian Affairs; Idaho Department of Lands; U.S. Forest Service, cut and sold reports for national forests; U.S. Department of Commerce, Bureau of Economic Analysis, regional accounts data.

Table 1. Idaho Forest Products Industry Businesses, 2016.

Primary wood products	
Sawmills	41
Plywood and veneer	2
Post and pole	10
Log homes and log products	19
Particleboard/MDF	1
Cedar products	7
Bark products	2
Fuelwood and fuel products	2
Pulp and paper	
Roundwood pulp chips, conversion facility	1
Pulp and paper mills	7

Secondary wood products	
Engineered wood products	34
Prefabricated buildings	14
Millwork, doors and windows	42
Pallets, stakes, containers	14
Specialty wood products (crafts, musical, games)	19
Sporting goods, wood	3
Furniture and fixtures	
Furniture, primarily wood	53
Log Furniture	5
Cabinets and counter tops	157
Merchant wholesalers	**58**

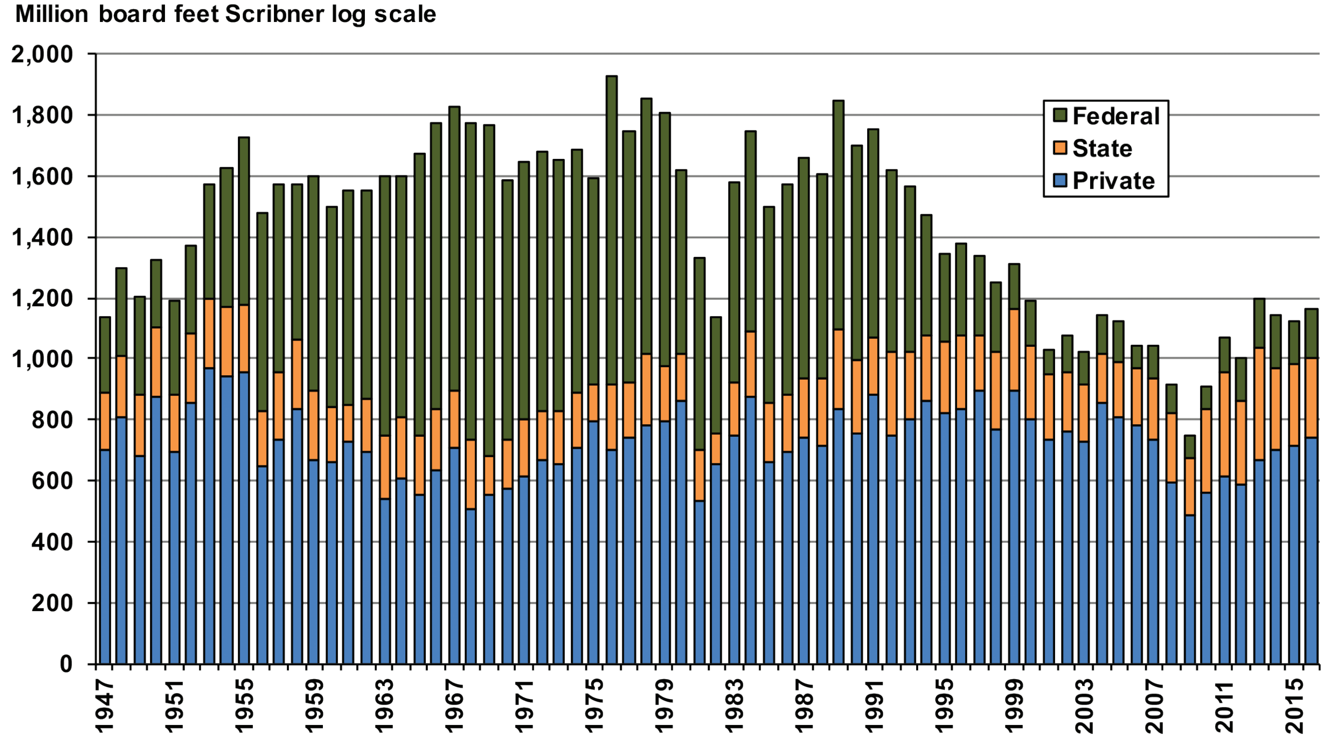
Source: Idaho Forest Products Commission.

Idaho Timber Harvest

During 2016 timber harvest volume in Idaho was estimated to be about 1.16 billion board feet (Scribner log scale), an increase of 3 percent from 2015 **(Figure 5)**. Harvest volume from private lands and federal lands increased 4.5 percent and 10.4 percent, respectively, from 2015 to 2016, while harvest volume from state lands decreased 4.2 percent.

Since the mid-1990's, Idaho's forest products industry has been sustained primarily by timber harvests from private and state lands **(Figure 5).** During 2016, private lands provided 64 percent of Idaho's timber harvest volume, while state lands provided 22.6 percent. About 13.4 percent of timber harvest volume came from National Forest System lands, which is above the previous 10-year average of 11.6 percent.

Figure 5
Idaho Timber Harvest by Ownership



Sources: Policy Analysis Group, University of Idaho; U.S. Department of Interior, Bureau of Land Management; U.S. Department of Interior, Bureau of Indian Affairs; Idaho Department of Lands; U. S. Forest Service, cut and sold reports for national forests.