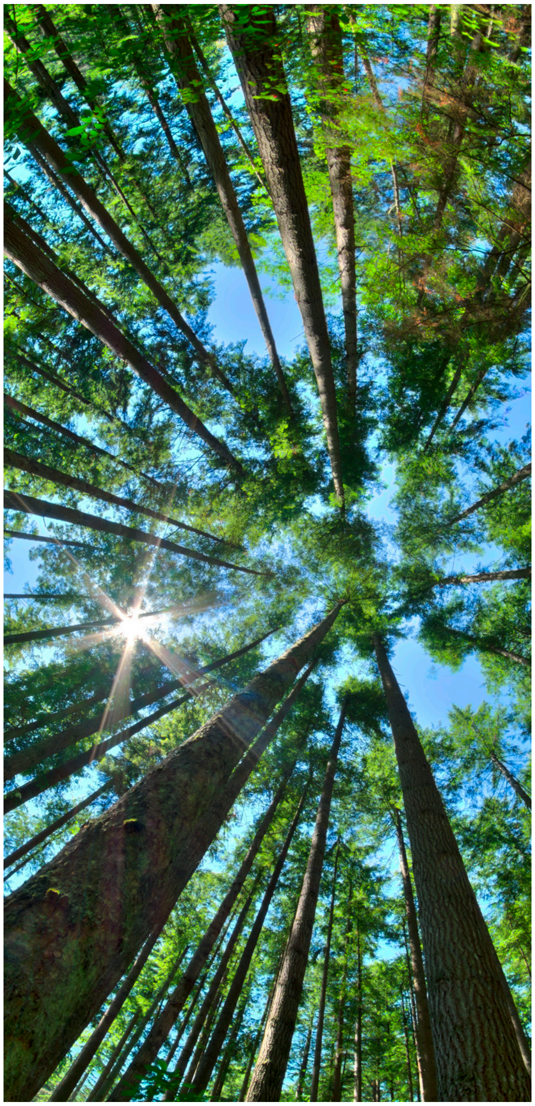

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Idaho's Forest Products Industry 2017

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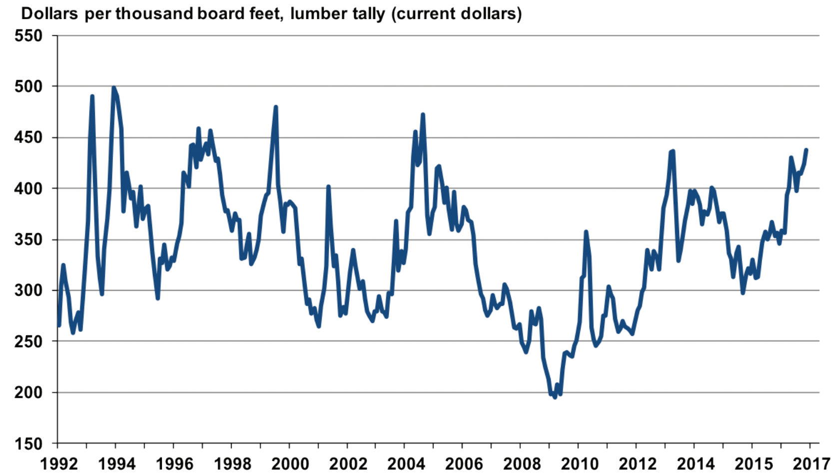
Operating Conditions

Arguably the biggest story for forest products in 2017 was the repercussions of the expired U.S. and Canadian Softwood Lumber Agreement. After an on-again, off-again series of measures, the U.S. Department of Commerce announced a final Countervailing Duty (CVD) rate of 14.25% and an Anti-Dumping (AD) rate of 6.58% on Canadian lumber imports in November ending an extended period of speculation and conjecture. However, uncertainty will continue until a final U.S. International Trade Commission ruling on the CVD/AD rates and as the Canadians seek to address the issue through North American Free Trade Agreement (NAFTA) negotiations. Housing starts have seen slow growth through November 2017 in part due to disruptions from hurricanes and flooding and also due to a decline in multi-family starts. Other macroeconomic indicators that affect forest products markets are the Gross Domestic Product which grew at a 2.1% real (net of price changes) rate over the first half of the year, unemployment which shrunk to a 16-year low of 4.2% in September, and a leveling off of the strength of the dollar which should lead to a better U.S. export outlook for 2018.

Lumber prices in 2017 through the third quarter were about 15% higher **(Figure 1)** and panel prices were 13% higher than 2016. With these product price increases, average 2017 third quarter delivered sawlog prices in Idaho continued to move upward for most species. Grand Fir/ Western Hemlock sawlog prices saw the greatest increase at 13% from 2016 fourth quarter to 2017 third quarter. Lodgepole Pine, Douglas-Fir/Western Larch, Western Redcedar, and Ponderosa Pine sawlog prices increased by 9%, 7%, 7%, and 2%, respectively, over the same time period. Average pulp price rose from $28/ton to $34/ton from 2016 fourth quarter to 2017 third quarter.

Figure 1
Nationwide Composite Lumber Prices
Monthly Weighted Average
1992-2017*



*Only reported until October 2017

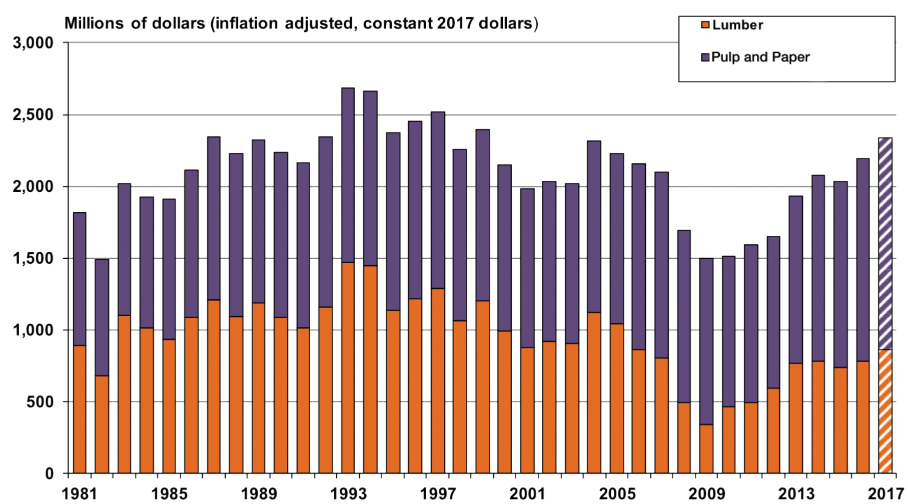
Source: Random Lengths Publications, Inc.

Idaho Forest Products Industry Sales, Production, and Employment

SALES TREND BY INDUSTRY SEGMENT

Total sales of wood products, including pulp and paper, manufactured in Idaho were estimated to be $2.34 billion in 2017, up almost 7% from $2.19 billion in 2016. **(Figure 2)** Lumber sales in 2017 were estimated at $863 million, up 10% from $782 million in 2016. Although production decreased in 2017, total sales value increased due to increasing product prices.

Figure 2
Idaho Forest Products Industry (FPI) Sales
1981-2017



2017 numbers estimated.

Sources: Policy Analysis Group, University of Idaho; Western Wood Products Association; University of Montana, Bureau of Business and Economic Research; U.S. Department of Commerce, Bureau of Economic Analysis.

LUMBER PRODUCTION TREND

Although lumber prices increased in 2017 compared to 2016, Idaho's lumber production was estimated to have declined 1.2% from 1.78 billion board feet (lumber tally) in 2016 to 1.60 billion board feet in 2017 **(Figure 3)**. A decrease in harvest from private and state lands corresponds to the decline in lumber production.

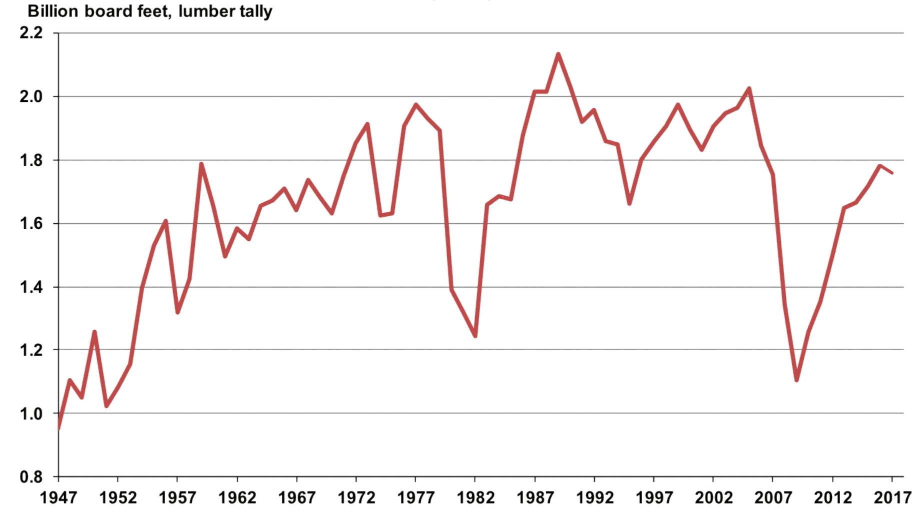
EMPLOYMENT

Direct employment in the forest products industry for 2017 was estimated to be 14,090 jobs, an increase of 1,628 jobs (12%) from 2016 **(Figure 4)**. Most of the increase (1,086 jobs) was due to revised methodology that now includes wood cabinet and furniture manufacturing as forest product industry jobs. 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 Product Industry 2016" (Idaho Forest, Wildlife and Range Experiment Station Bulletin 107).

FOREST PRODUCTS INDUSTRY BUSINESSES

In 2017 the Policy Analysis Group updated its database of forest products industry businesses in Idaho to correspond with categories in the North American Industry Classification System (NAICS). Over 200 forest product manufacturing and wholesaling businesses in Idaho were identified **(Table 1)**. No sawmilll closures were reported in the state in 2017.

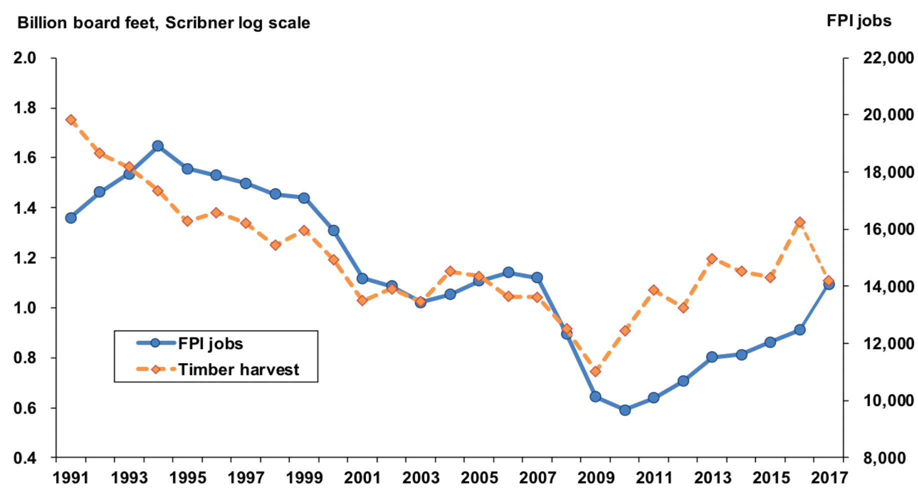
Figure 3
Idaho Lumber Production
1947-2017



2017 number estimated.

Sources: Random Lengths Publications, Inc., Western Wood Products Association.

Figure 4
Idaho Timber Harvest and Direct Employment of Forest Products Industry (FPI) Jobs
1991-2017



2017 numbers estimated.

Sources: Policy Analysis Group, University of Idaho; Idaho Department of Lands; U. S. Forest Service; U.S. Department of Interior, Bureau of Land Management and Bureau of Indian Affairs; U.S. Department of Commerce, Bureau of Economic Analysis.

Table 1. Idaho Forest Products Industry Businesses, 2017	
Sawmills, millwork, treating	54
Engineered wood and panel products	22
Wood furniture and fixtures	77
Other wood products	42
Pulp, paper and paperboard mills	1
Converted paper products	4
Wholesalers of wood and paper products	9

Idaho Timber Harvest

2017 timber harvest volume in Idaho was estimated to be about 1.11 billion board feet (Scribner log scale), a decrease of almost 18% from 2016 **(Figure 5)**. Harvest volume from federal lands increased 8%, while harvest volume from private and state lands decreased 23% and 11%, respectively.

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 2017, harvests from private lands provided 65% of total timber harvest volume in Idaho, while state lands provided 20%. About 15% of timber harvest volume came from National Forest System lands, which is above the previous 10-year average of 12%.