

Condition & Outlook of Montana's Forest Products Industry

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Forest Products Retention Roundtable

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Three necessary components

- Timber inventory & availability
- Infrastructure & workforce
- Markets & demand for products

Montana Forest Ownership

Source: USDA Forest Service FIA Program

19.8 million acres of productive, non-reserved timberland

62% National Forest

25% NIPF & Tribal

5% Industry

4% State

4% BLM

3.8 million acres reserved from harvesting (National Parks & Wilderness)

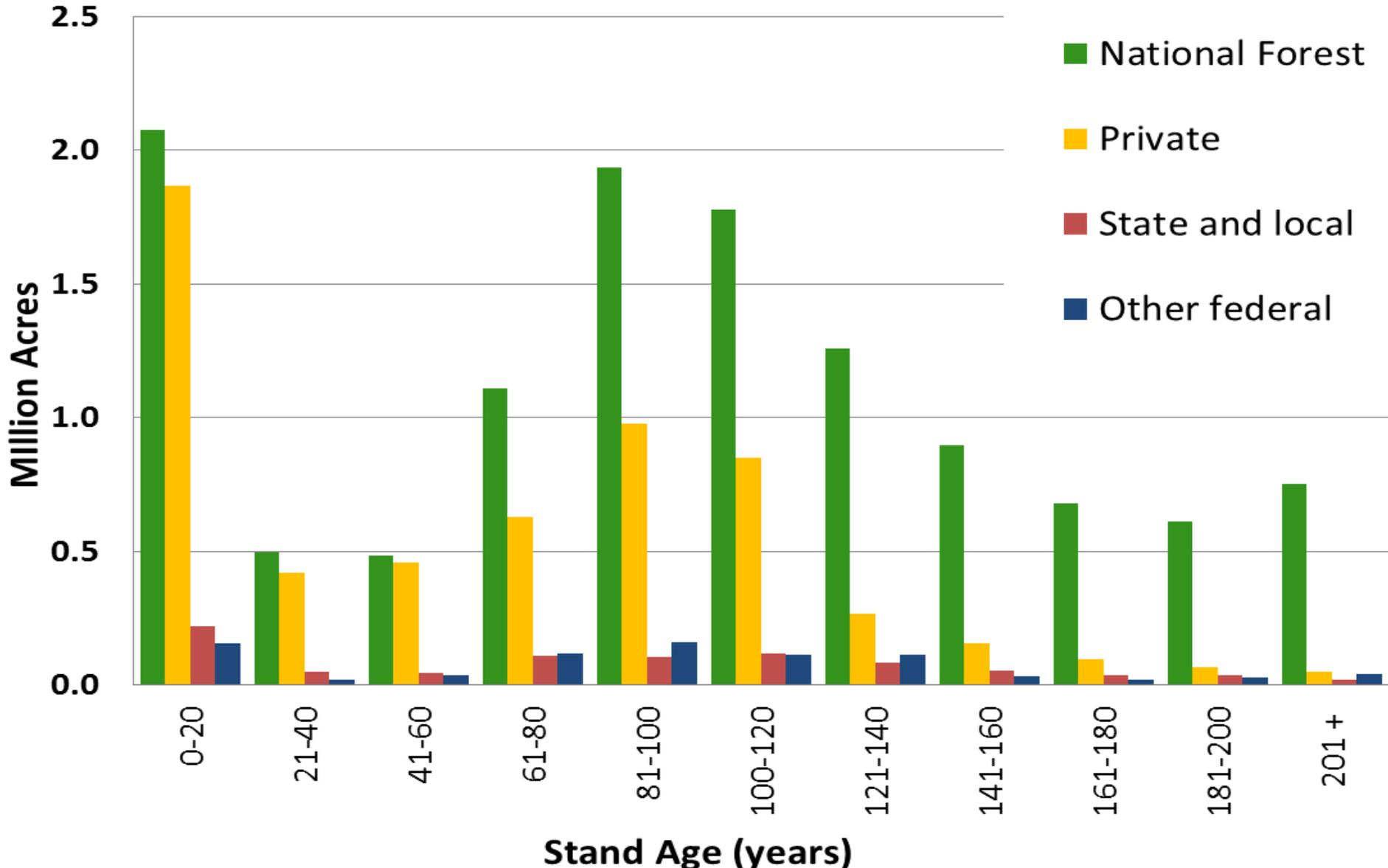
2.1 million acres non-productive

Montana Primary Wood Processing Facilities, 2013



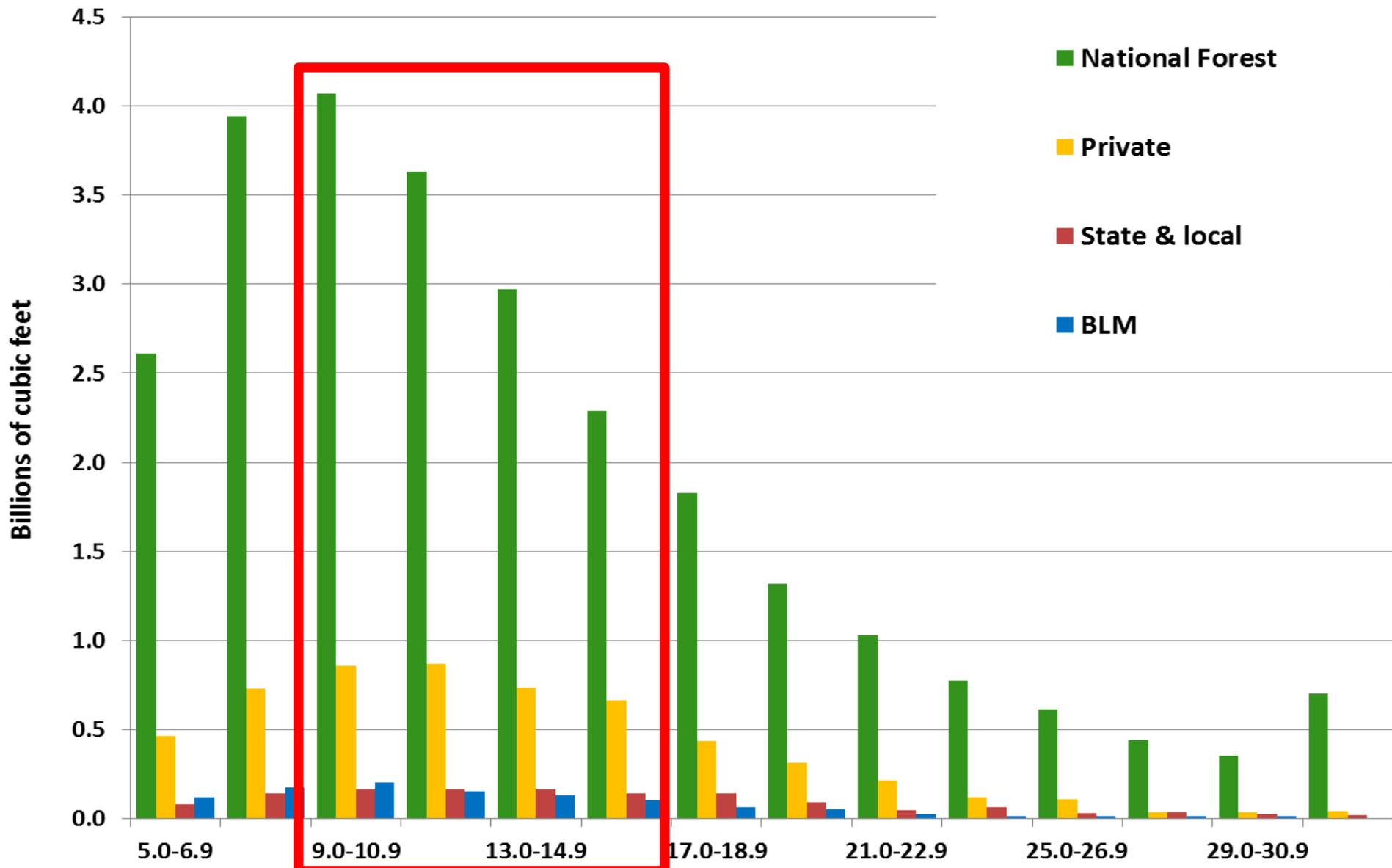
Montana Timberland Age

Source: USDA Forest Service FIA Program



MT Timber Volume by DBH

Source: USDA Forest Service FIA Program



Montana's Timber Resource

Non-reserved Timberlands

2004-2013

Growing-stock volume	34,553 MMCF
Annual (gross) growth	828
Annual mortality	589
Annual net growth	239
Annual removals (2004)	198
(2009)	90

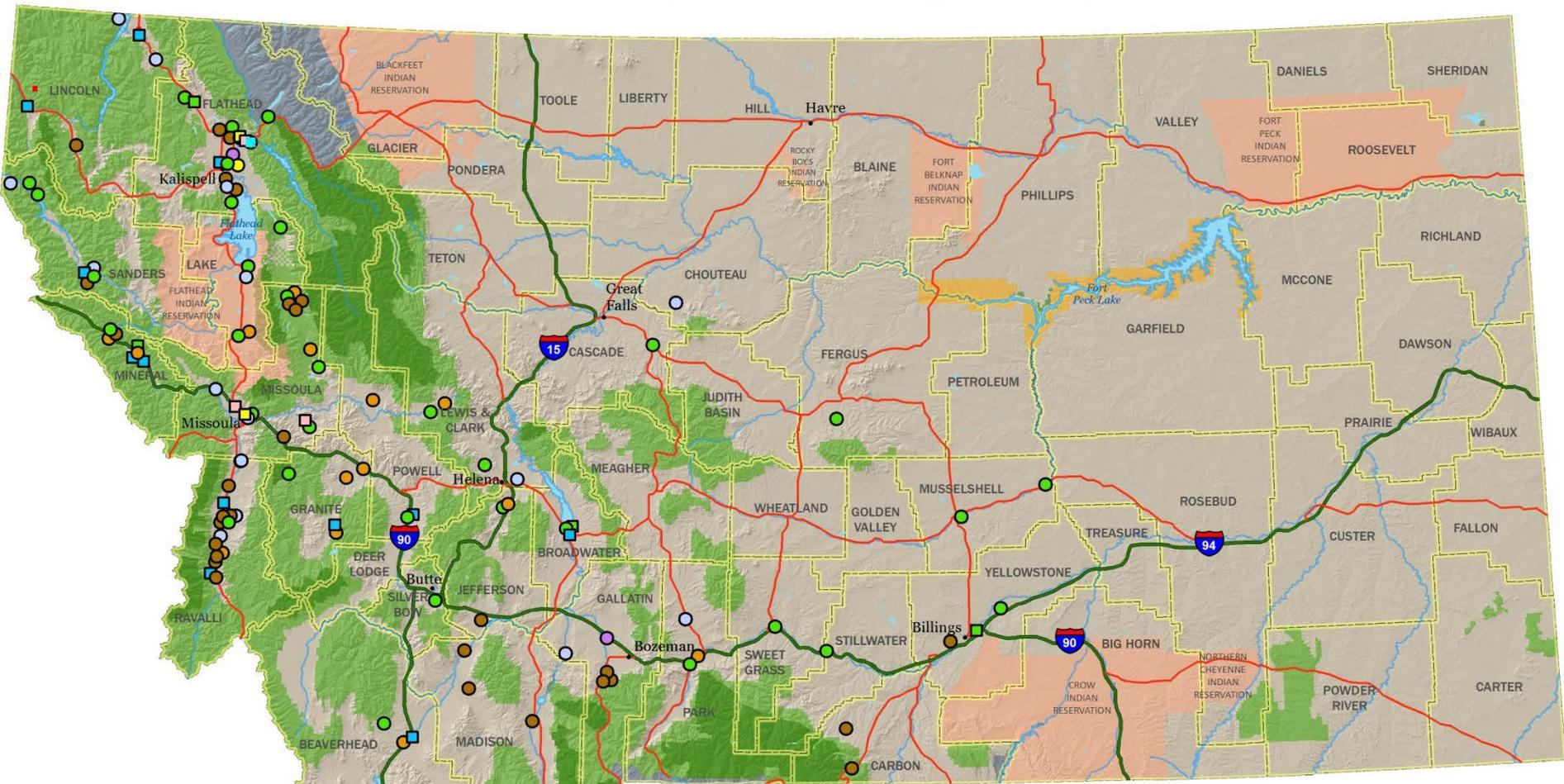
Montana's Timber Resource

Non-reserved Timberlands

2004-2013

	<u>Public</u>	<u>Private</u>
Acres (million)	13.83	5.97
Mortality (MMCF/yr)	519	70
Net Growth (MMCF/yr)	138	101
G-S Removals (MMCF)	40	50
G:R Ratio	3.45 : 1	2 : 1

Montana's Primary Wood Products Industry



Primary Processing Facilities

- | | | | |
|---|--|--|---|
| ● Sawmill | ● Firewood | — Interstate | ■ National Parks |
| ■ Veneer | ■ Particleboard | — U.S. | ■ Indian Reservations |
| ● Post/pole | ■ Biomass | — Major Rivers | ■ Wilderness |
| ○ Log furniture | ■ Bark Products | ■ Lakes/Reservoirs | ■ National Forests |
| ● House log | ■ Other | □ Counties | ■ Wildlife Refuges |

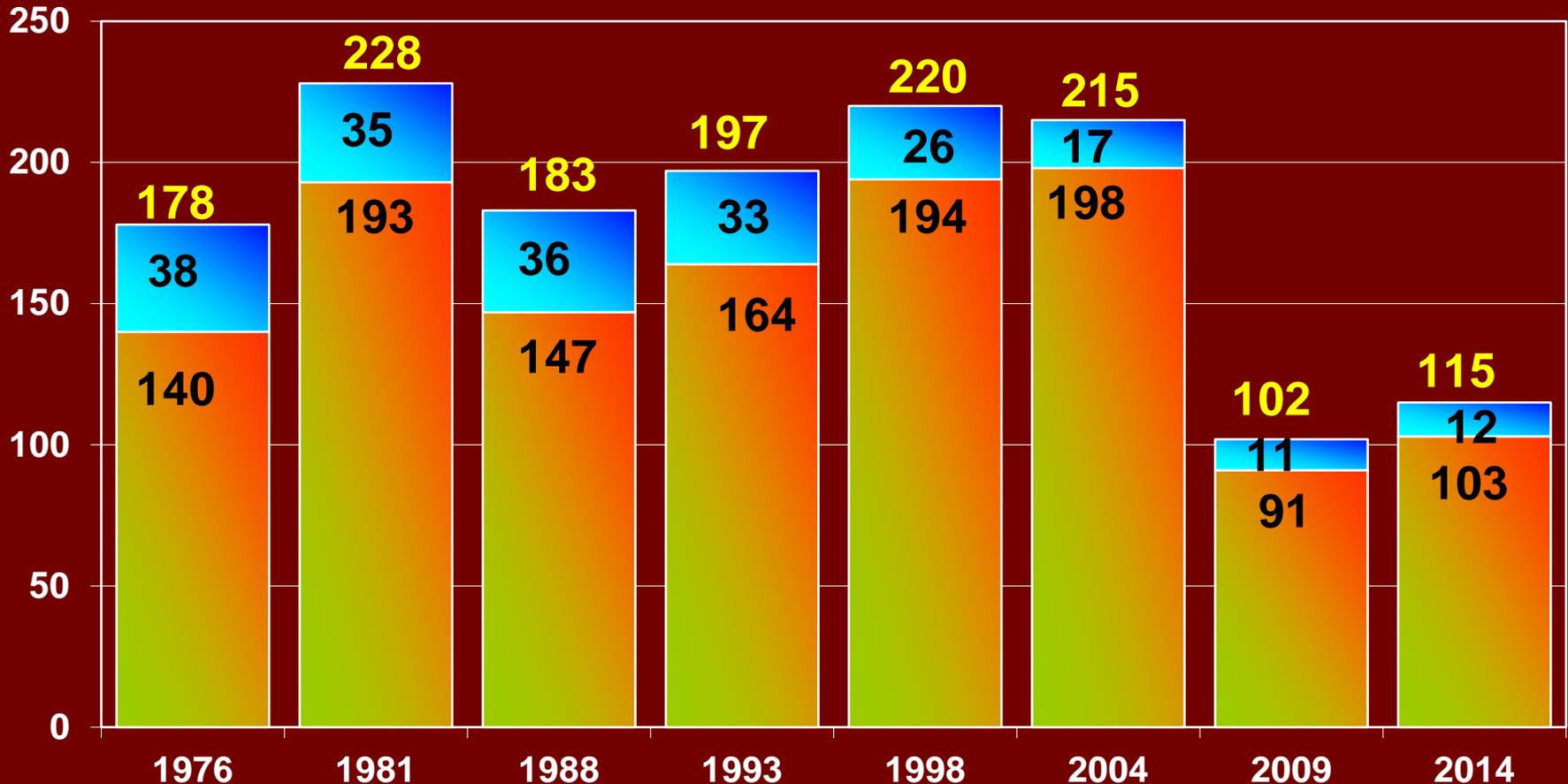
Timber-processing facilities in Montana by mill type and volume of timber used annually

Size	Sawmills	Log home	Other	Total
< 1 MMBF	19	26	40	85
1-10 MMBF	9	4	5	18
> 10 MMBF	9	0	3	12
Total	37	30	48	115

Montana Timber-Processing Facilities by Size Class

■ Under 10 MMBF Annual Use

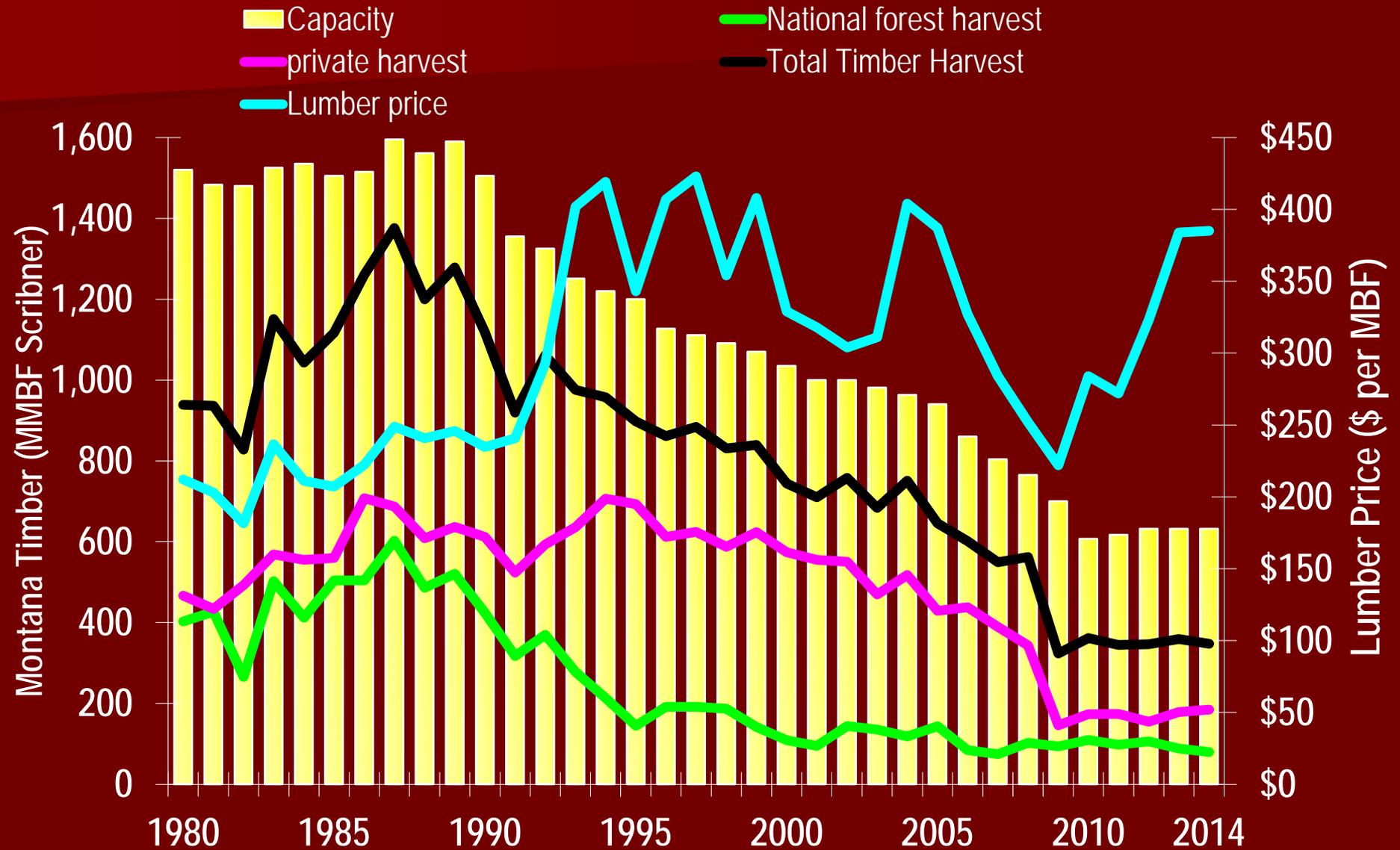
■ Over 10 MMBF Annual Use



Montana's Forest Products Industry

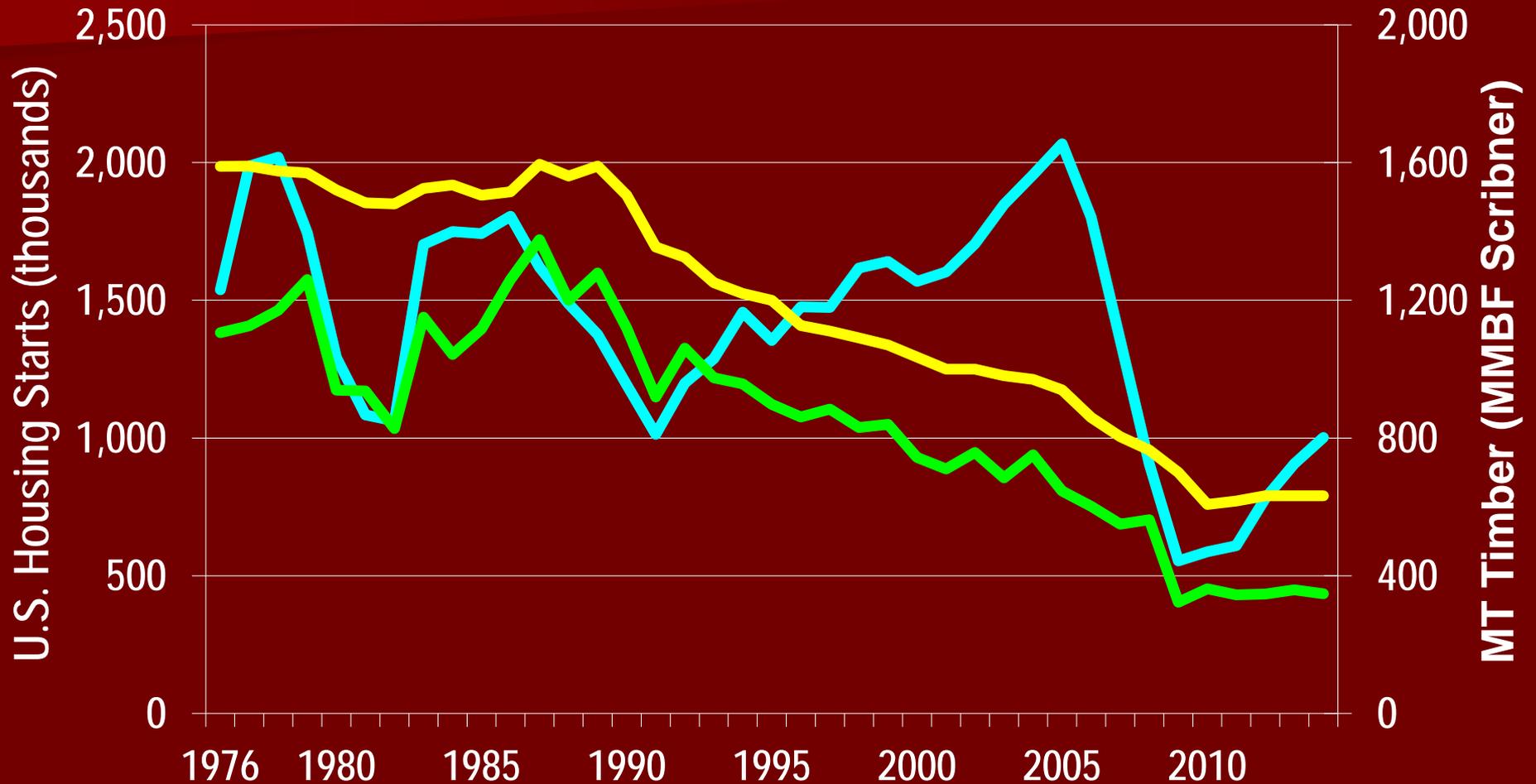
	<u>2004</u>	<u>2009</u>	<u>2014</u>
Workers	9,982	7,689	7,660
Labor income (millions)	\$398	\$289	\$335
Sales in million (primary)	\$1,199	\$592	\$600
Lumber production (MMBF)	985	418	574

Montana Timber Capacity, Harvest & U.S. Lumber Prices, 1980-2014

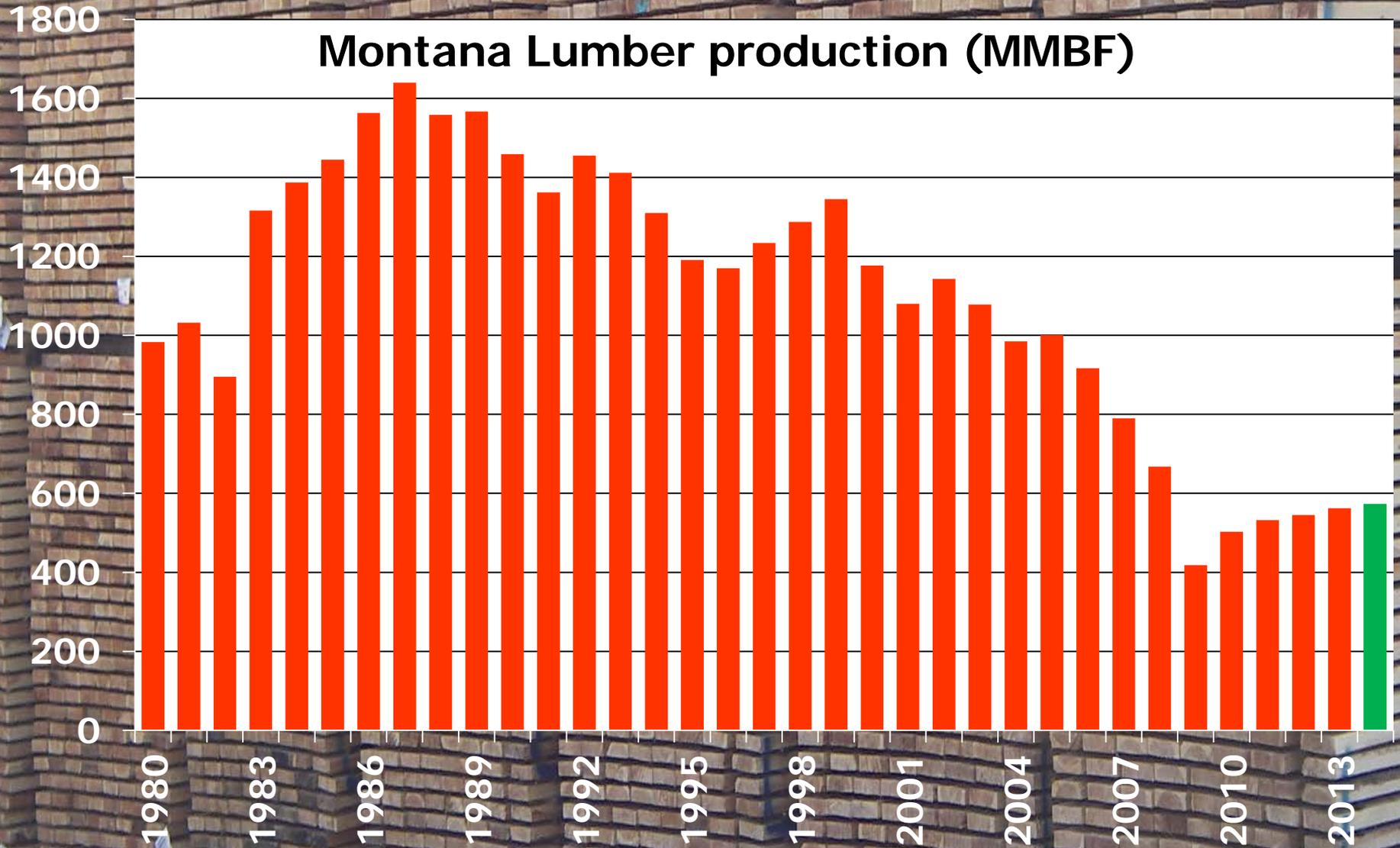


US Housing & MT Wood, 1976-2014

US Housing Starts MT Capacity MT Timber Harvest

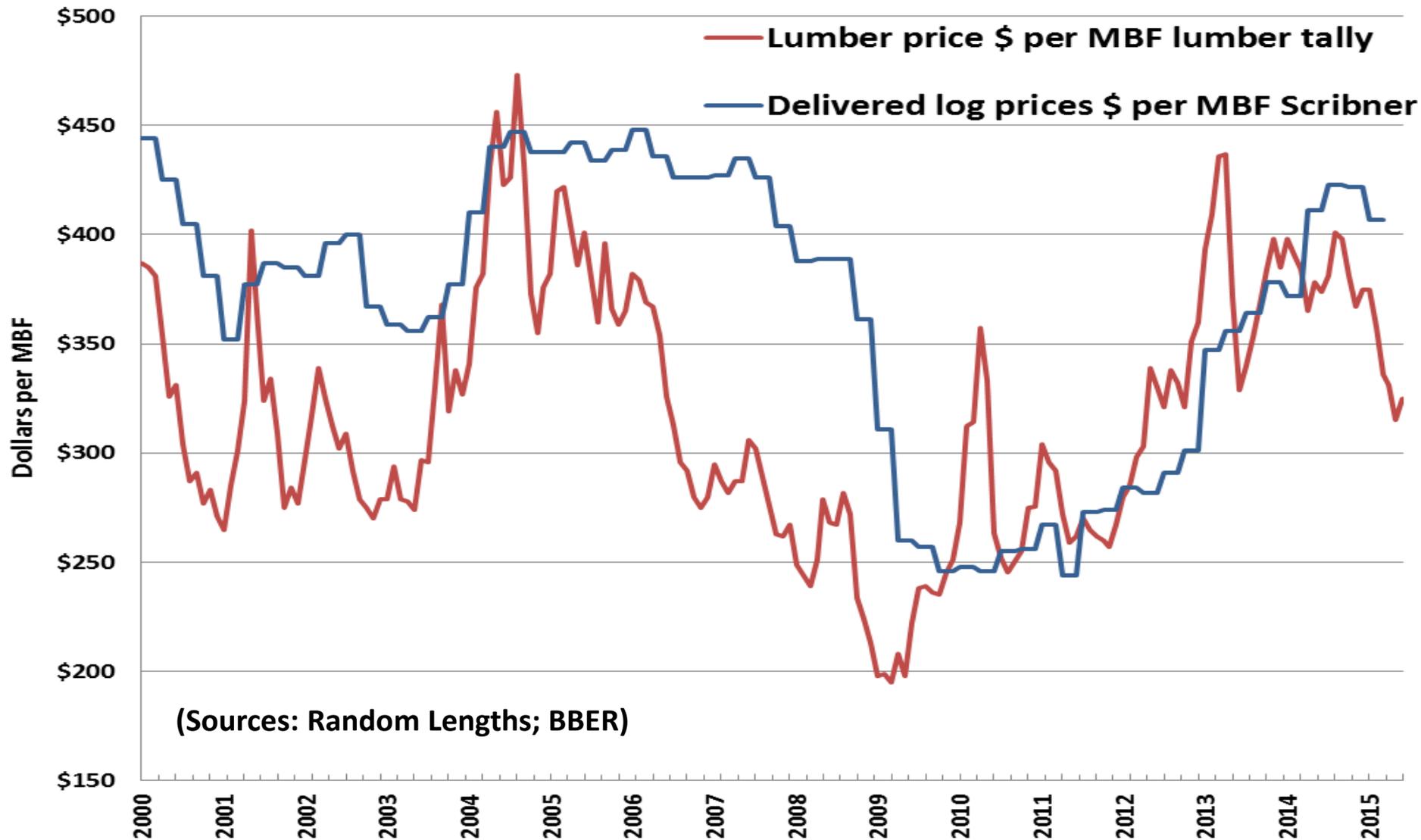


Softwood Lumber



SPECIES	1Q 2015	EASTERN MONTANA		WESTERN MONTANA	
		Average Price Per MBF	Demand Next 60 Days	Average Price Per MBF	Demand Next 60 Days
Ponderosa pine					
Yellow		\$428	F	\$458	G
Bull		\$365	F	\$377	G
Lodgepole pine		\$431	G	\$423	G
Douglas-fir		\$451	G	\$430	G
Western larch		////////////////////	////////////////////	\$430	G
Engelmann spruce		\$431	G	\$423	G
Subalpine fir		\$370	G	\$343	G
Grand fir		////////////////////	////////////////////	\$393	G
Western redcedar		////////////////////	////////////////////		P
Hemlock		////////////////////	////////////////////	\$390	G
White pine		////////////////////	////////////////////	\$407	G
Cottonwood		////////////////////	////////////////////	N/A	N/A

Lumber and Sawlog Prices 2000-2015



2014-2015 Montana Outlook Survey

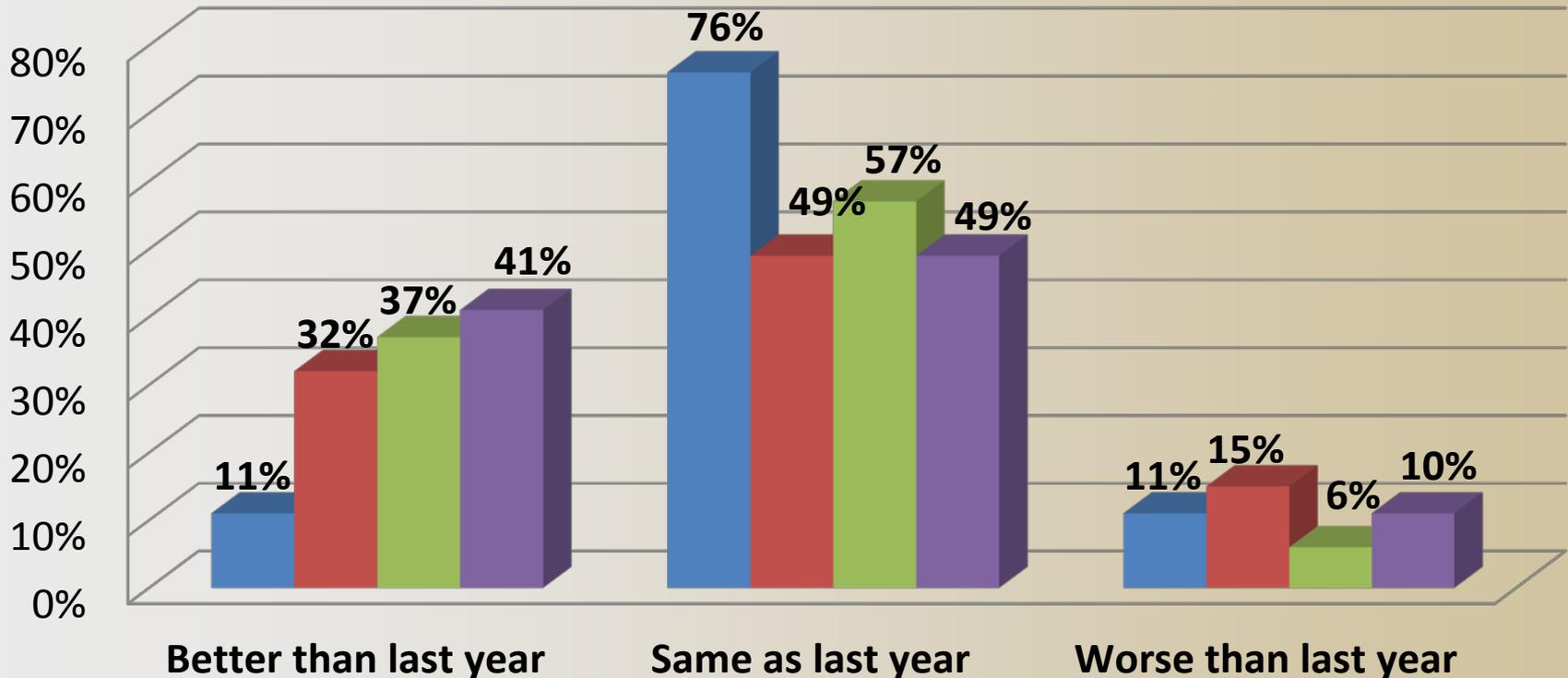
- annual survey
- conducted in October
- open-ended & multi-choice questions
- current & coming year
- 37 wood product firms participated



Montana Forest Products Overall Outlook

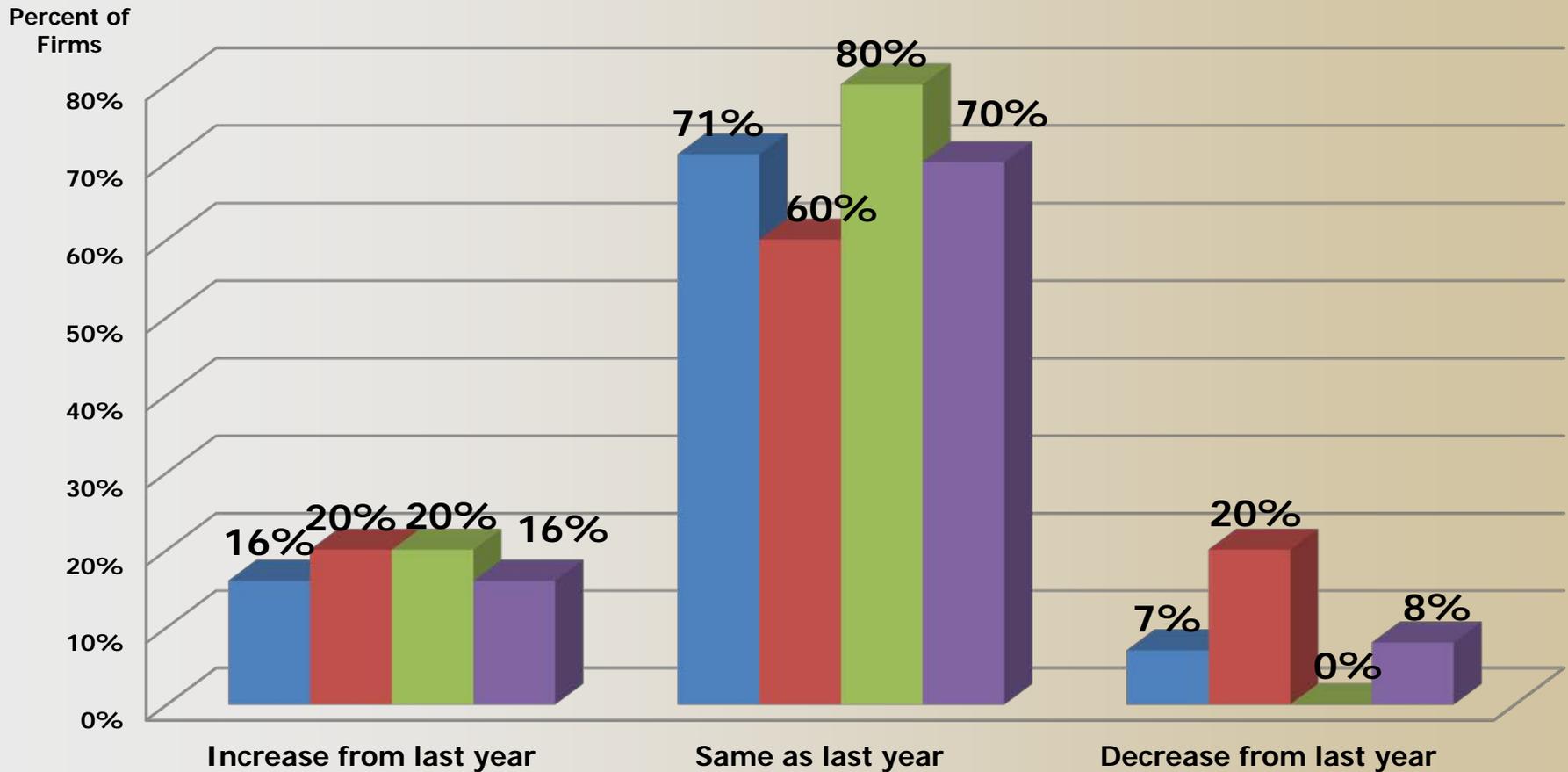
■ Outlook for 2012 ■ Outlook for 2013 ■ Outlook for 2014 ■ Outlook for 2015

Percent of
Firms



Montana Forest Products Employment Outlook

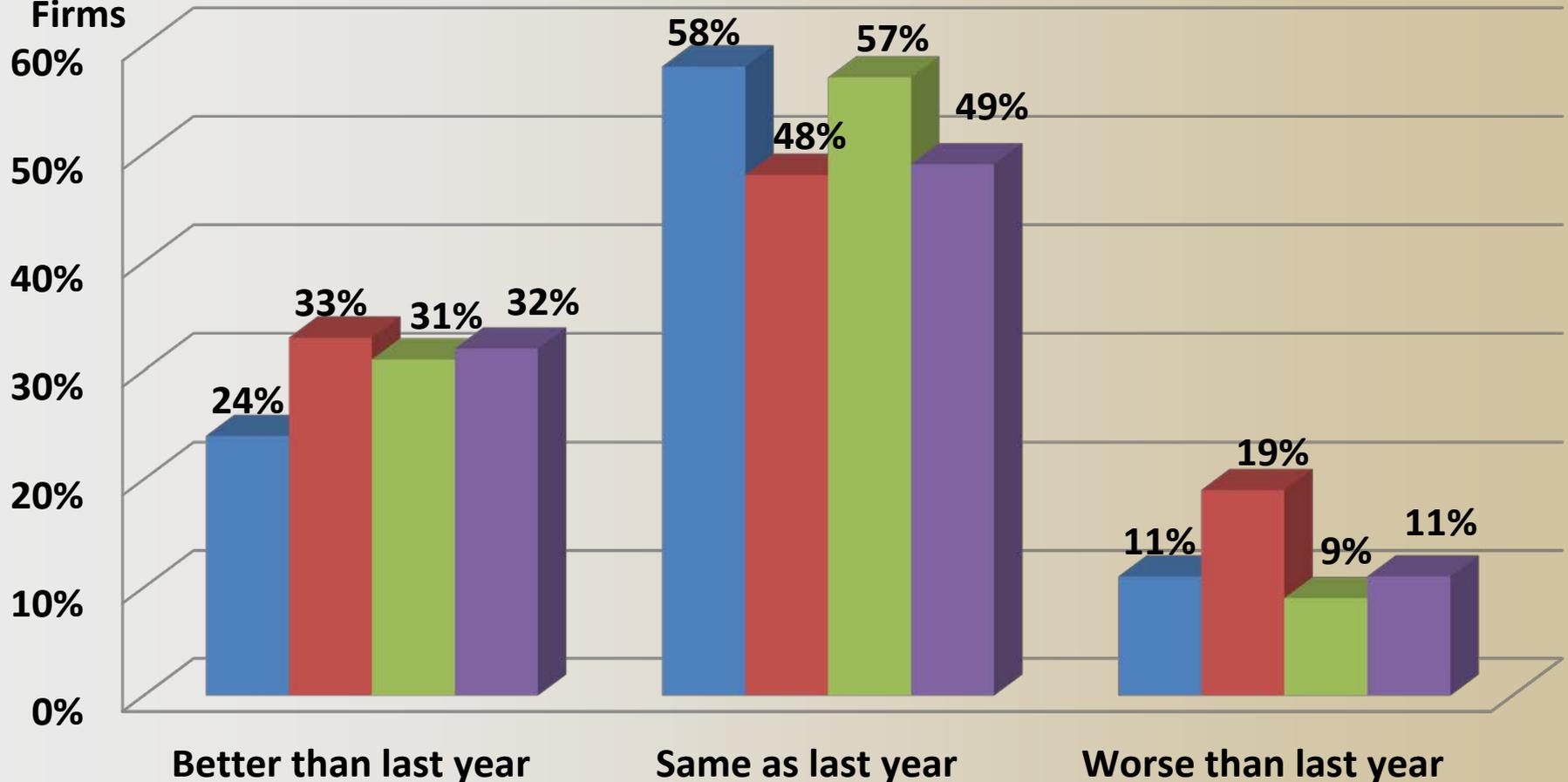
■ Employment for 2012 ■ Employment for 2013 ■ Employment for 2014 ■ Employment for 2015



Montana Forest Products Production Outlook

■ Outlook for 2012 ■ Outlook for 2013 ■ Outlook for 2014 ■ Outlook for 2015

Percent of
Firms



Four C's

- China
- Canada
- Currency
- Construction

Current Market Conditions

- April housing starts topped 1.1 million
- Lumber prices coming up past 2-3 weeks, but down ~20% from Dec/Jan
- Canadian imports up 12%, but will face higher tax in July
- MT lumber production down 7.4% 1Q15 vs. 1Q14
- Employment up 1-2% from 2014

Montana Forest Products 2015 Forecast

- U.S. homebuilding expected to continue gradual improvement, should boost wood product demand.
- Output & sales could increase. Employment & worker earnings would follow.
- Timber availability is a major Montana issue. Permanent mill closures are possible.
- Log prices could go either way.
- Strong \$ + imports + slow building - timber availability = (temporary) headwinds

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