

Forestry Program for Oregon Strategy B: Ensure that Oregon's forests provide diverse social and economic outputs and benefits valued by the public in a fair, balanced, and efficient manner.

Indicator B.d. Forest products sector vitality

Why is this indicator important?

Oregon's forest products industry continues to enhance and diversify Oregon's economy and provides economic values to both rural and urban communities. Oregon still remains the leader in lumber production in the United States and, with a strong and resilient forest products infrastructure, is set to strongly rebound once the country pulls out of the current recession. Today, despite reduced harvests on federal lands and ailing local, state, and national economies, Oregon's forest sector is an important basic industry fueling the State's economy and creating related indirect economic effects throughout the State. A large share of these economic benefits occurs in more rural areas of the State, areas with high unemployment rates and other economic problems. In addition to ameliorating economic and social problems in rural areas, healthy rural economies benefit urban areas because of the economic interdependence between the two. It is therefore important to understand the health and sustainability of Oregon's forest products sector and its prospects for continuing to produce the economic values that Oregonians have come to expect from their forests. Long-term trends in sales and investments in forest industry infrastructure indicate the health of the industry and its ability to continue to successfully compete in the global market place as well as complete needed forest restoration work.

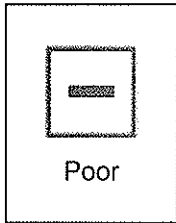
Desired trend

Production and product values of and investment in Oregon's forest products sector are stable or increasing.

Indicator information also posted at: <http://www.oregon.gov/ODF/indicators/index.shtml>

What does this indicator tell us about sustainable forest management?

Condition

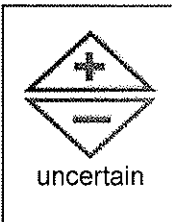


Production and product values: Stumpage, log, and wood product production and prices are highly correlated with U.S. housing starts. Housing starts have collapsed (Figure 1) and the vitality of Oregon's forest products sector has suffered. For example, Oregon timber harvests of 3.4 billion board feet were the lowest since the Great Depression and are projected to fall to below 3 billion in 2009. Log (Figure 2), lumber, and plywood prices are at extremely low levels resulting in mill closures and loss of employment. In spite of the severe recession gripping the nation since 2007 and depressed housing starts and falling nonresidential construction, most of Oregon's mills remain open. Sales value of paper and secondary wood products has not declined as much as it has for lumber and plywood manufacturers (Figure 3).

Productivity: Productivity of Oregon's forest products sector has continued to improve as is evidenced by the increasing number of board feet of lumber produced per unit of wood harvested (Figure 4). The value of products produced per unit of wood harvested and per worker is higher than other western states, except for Washington (Figures 5 and 6).

Investment and Innovation: Investment in Oregon's wood and paper industries appears to have been stable though 2006 (Figure 7) but other and more recent data on investment and innovation are currently insufficient for indicator reporting.

Trend

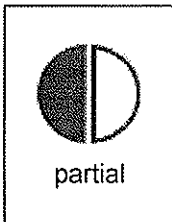


Production and product values: Production should increase and product values should improve over the next several years as the nation emerges from the current recession and housing starts and expenditures for nonresidential construction increase. Housing starts are forecasted to start increasing in the last quarter of 2009 but increases will be gradual and long-term sustainable housing start levels of 1.6 million per year will not be reached until 2011. Unknown is how many of the more than 16% of Oregon's primary wood products mills that closed over the last couple of years will reopen once wood product prices improve.

Productivity: Productivity has and will continue to improve. Intense competition from other regions, a strong forest products infrastructure, and world class research facilities at the Oregon State University will foster continual improvements in forest sector productivity.

Investment and Innovation: Recent data on trends of investment and innovation are currently insufficient for indicator reporting.

Information



Production and product values: National housing start and other general economic information is current, readily available and of high quality. Statewide data for production and prices of logs, lumber, plywood, and paper is recent and of high quality. Little is known about secondary forest products in Oregon.

Productivity: Information about productivity in the primary wood products mills is available, timely and reliable. Little is known about productivity in secondary forest products manufacturing in Oregon. Work is ongoing to develop time series of product value per unit harvest volume and per employee.

Investment and Innovation: Information about capital expenditures of Oregon's wood and paper products manufacturers is available from the U.S. Census Bureau and Annual Survey of Manufacturers but this information is general and not timely. Work is ongoing to survey key forest sector business leaders to better determine trends in investment and innovation.

Metrics and Data Sources

Metric	Data Source
Historic and forecasted U.S. residential construction	IHS Global Insight, Inc.
Oregon log price Index	Gary Lettman, Oregon Department of Forestry
Sales value of Oregon's primary and secondary wood and paper products	U.S. Census Bureau, Annual Survey of Manufacturers, Bureau of Business and Economic Research, University of Montana
Board Feet of Lumber Produced Per Board Foot of Log Measurement	Bureau of Business and Economic Research, University of Montana
Value of products per MMCF and MMBF of Timber Processed (time series under development)	U.S. Census Bureau, Annual Survey of Manufacturers, Western Wood Products Association, The Engineered Wood Association, and Bureau of Business and Economic Research, University of Montana
Value of products per primary forest industry worker (time series under development)	U.S. Census Bureau, Annual Survey of Manufacturers, Western Wood Products Association, The Engineered Wood Association, and Bureau of Business and Economic Research, University of Montana
Oregon's wood and paper products manufacturers capital expenditures	U.S. Census Bureau, Annual Survey of Manufacturers

Figure 1

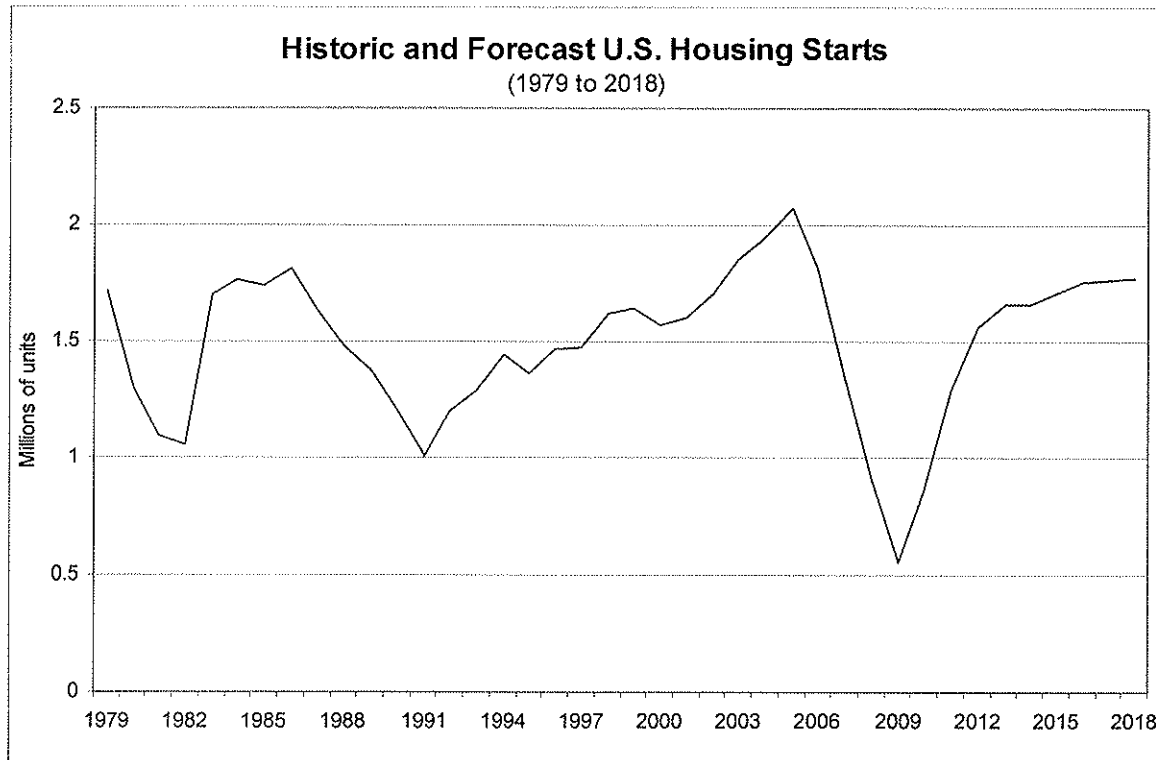


Figure 2

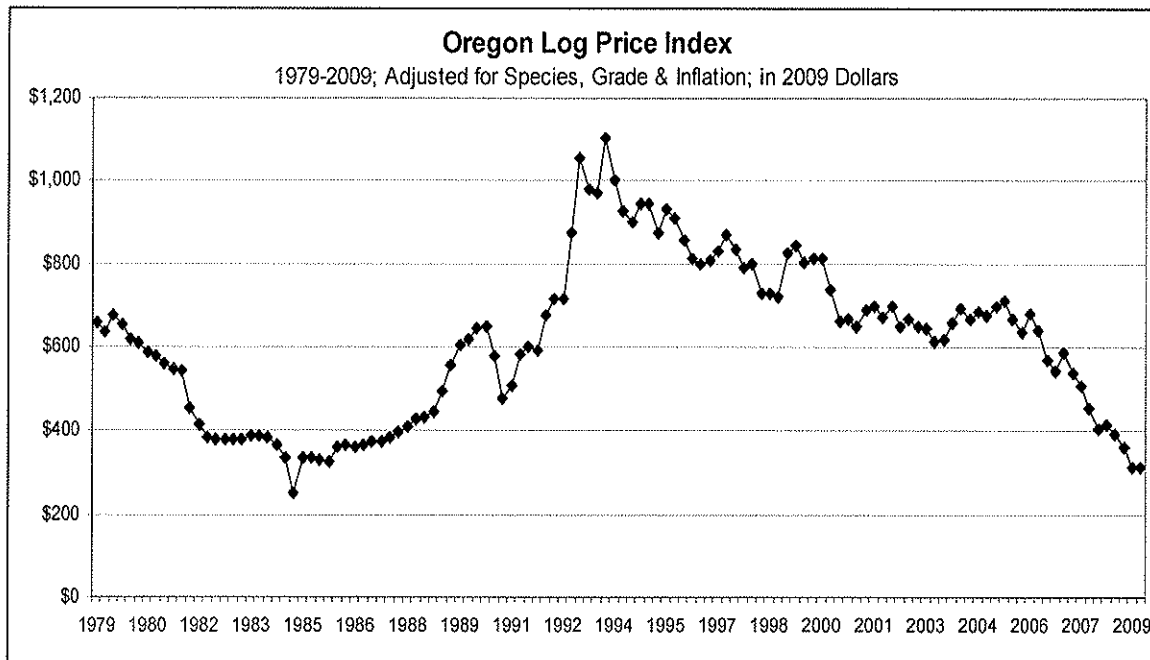


Figure 3

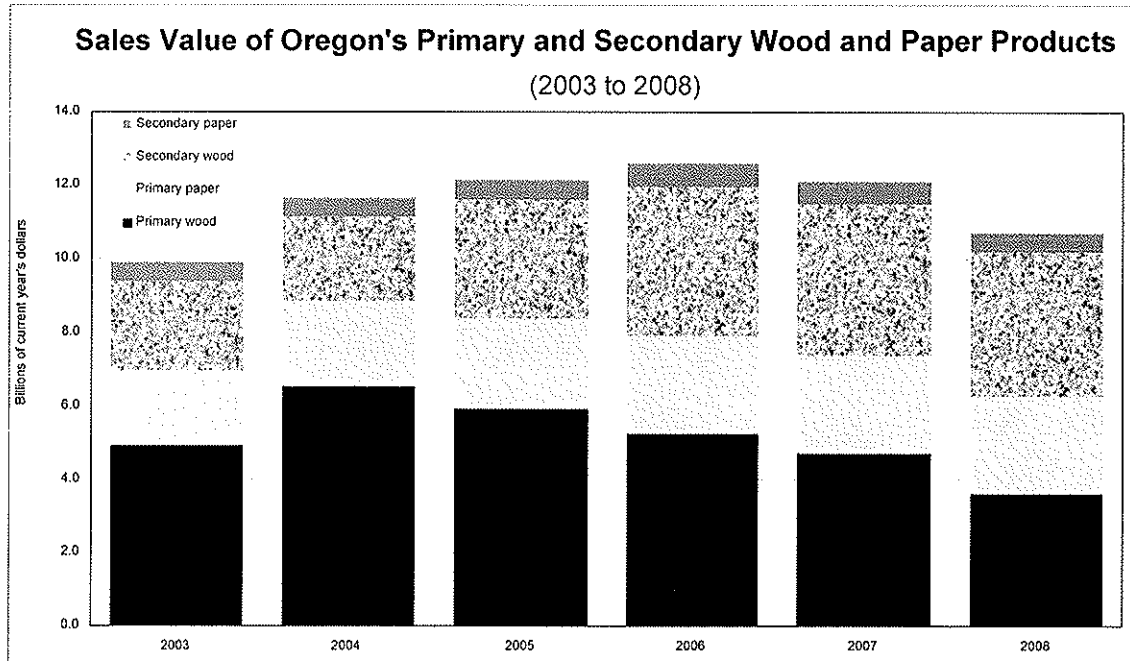


Figure 4

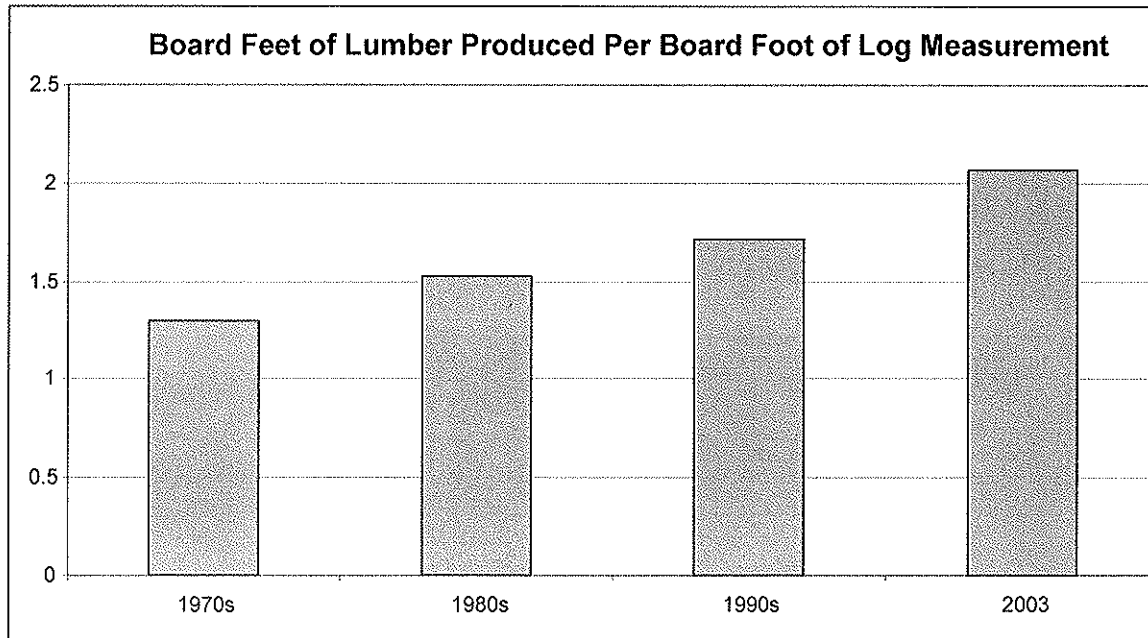


Figure 5

**Value of Products per MMCF and MMBF of Timber Processed
Primary Wood and Paper Products Manufactured
FOB the Producing Mill for Western States, 2006**

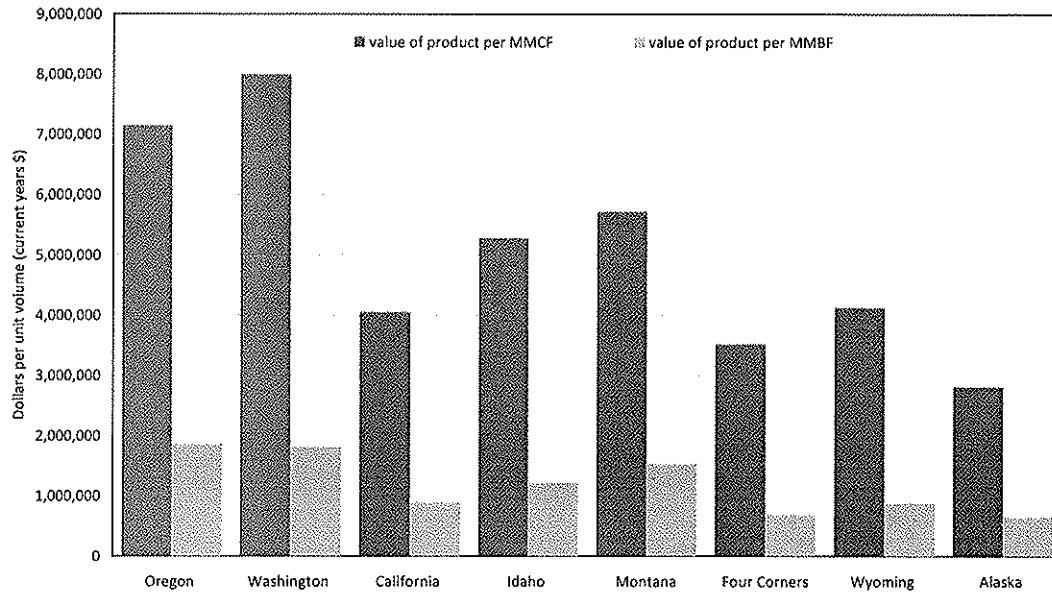


Figure 6

Value of Product per Primary Forest Industry Worker, 2006 (includes logging, private forest management, and timber processors)

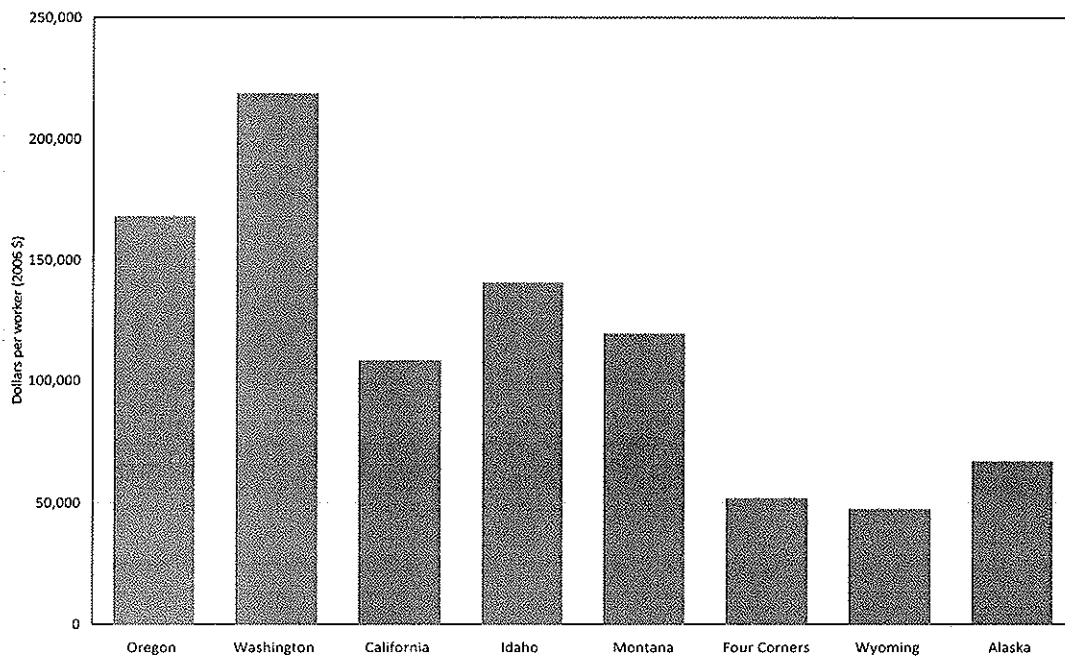


Figure 7

