



The "Great Recession" and the Western Forest Products Industry



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Setting the Stage

- Overall strong economy in mid-2000s
- Low interest rates
- Easy access to credit
- Real estate speculation
- Led to more than two million U.S. housing starts in 2005 and record annual lumber consumption from 2003 to 2005

Recession and Aftermath

- Sharp drop in U.S. housing markets beginning in 2006, global financial crisis of 2008, and official recession 2007-2009
- Post-World War II record low of 554,000 housing starts in 2009, and little rebound in 2010-11
- Wood product prices and outputs of the wood and paper products industries fell dramatically
- In 2009 and 2010, virtually every major Western mill suffered curtailments, and 30 major mills closed permanently
- Capacity utilization dropped from 83% in 2005 to under 60% in 2010
- Lumber production dropped by almost 50 percent and employment in the forest products industry in the West declined by 40,000 workers from 2004 to 2010
- Sales value of wood and paper products from mills in the West fell by over \$4 billion between 2005 and 2010

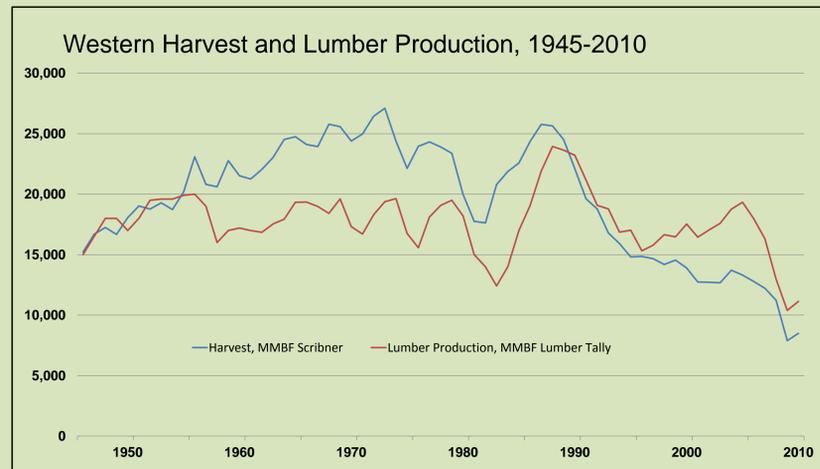
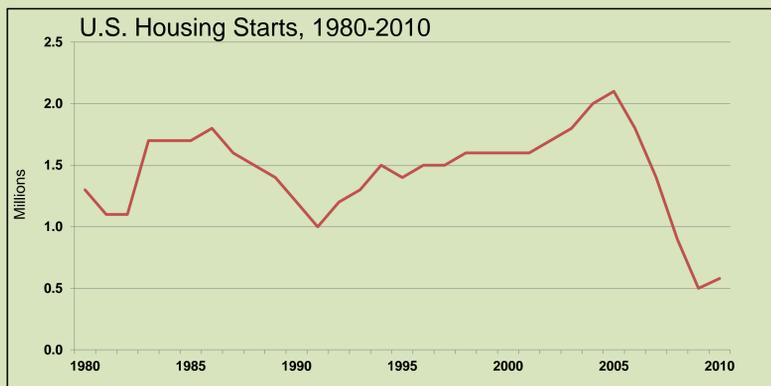
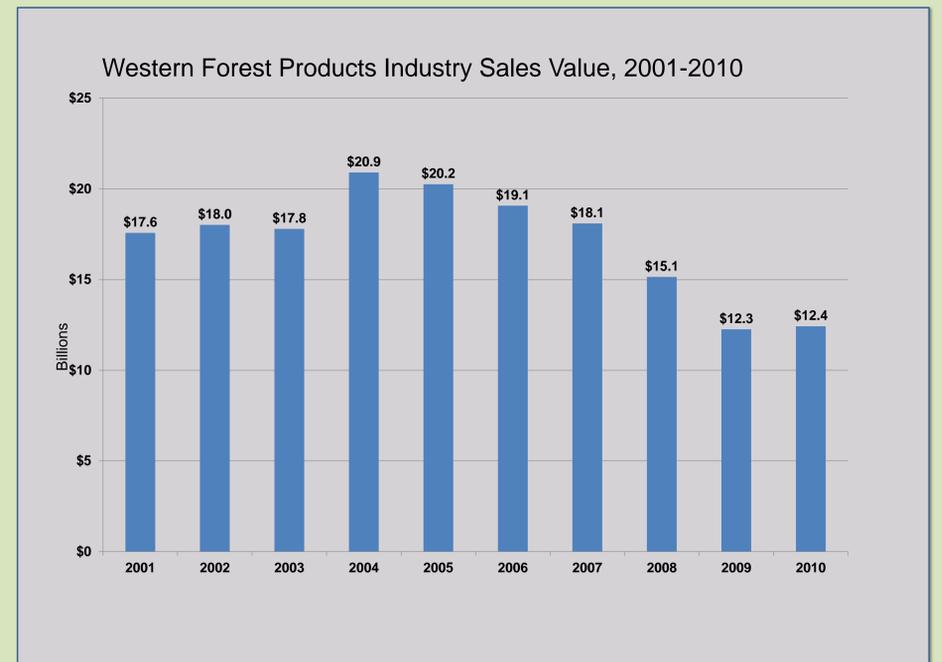
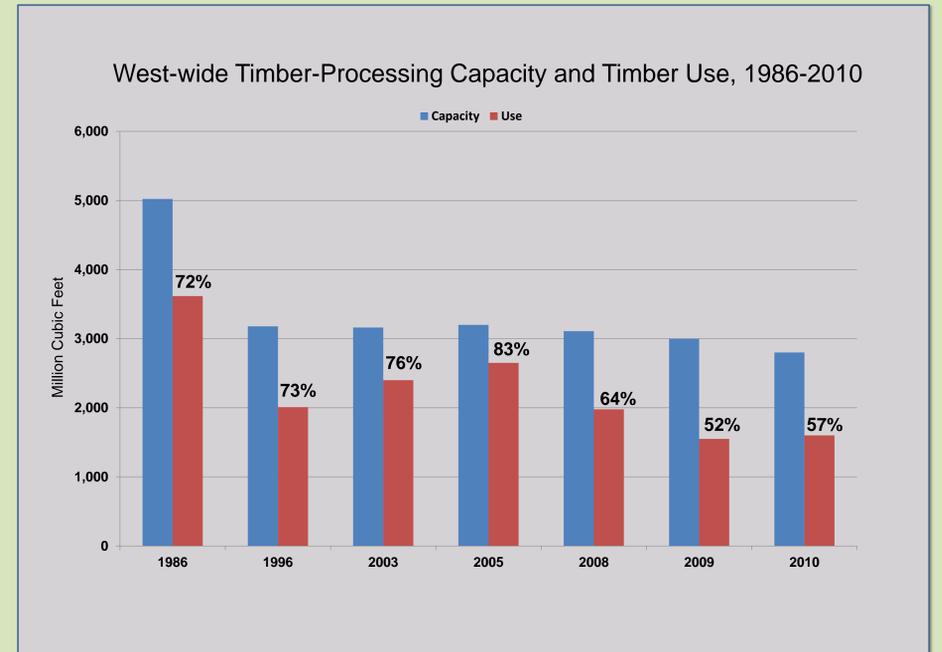
Outlook

- Much of the pre-recession capacity remains intact at Western wood products facilities, providing the ability to quickly respond to increased demand
- West coast log exports have been up dramatically in 2010 and 2011, offering opportunities for landowners but raw material competition for west coast mills
- Modest improvements in wood products markets are expected in 2012, but significant gains are not likely until 2013 or beyond



Hawaii's Forest Products Industry

- Smallest wood products industry among western states
- Very active woodworking community
- Large focus on small-scale projects with high value-added component
- Ongoing efforts to develop hardwood veneer and bioenergy facilities



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Cooperators

- Interior West Forest Inventory and Analysis Program
- Pacific Northwest Research Station:
 - Forest Inventory and Analysis Program
 - Goods, Services, & Values Program

