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May 29, 2001

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STATE'S FOREST PRODUCTS INDUSTRY STILL TAKING HITS

MISSOULA —

Montana's forest products industry experienced one blow after another during the past 12 months, significantly impacting employment, wages and production through the first quarter of 2001, according to a researcher with The University of Montana's Bureau of Business and Economic Research.

Charles Keegan, BBER director of forest industry research, said lumber prices fell sharply in mid-March of 2000 and remained low in the first quarter of 2001. Additionally, last year's wildfires cause forest closures for much of the summer, forcing mills already struggling with limited timber availability to cut back production in an effort to stretch log inventories.

Furthermore, unprecedented increases in electricity rates starting last spring caused firms that purchase their power on the spot market to announce curtailed production, including the Smurfit-Stone Container Corp. in Frenchtown and the Louisiana Pacific particleboard plant near Missoula.

Employment in Montana's forest products industry decreased more than 8 percent last year, from 4,605 workers in the first quarter of 2000 to 4,212 workers in the first quarter of this year. This decrease is due in large part to curtailed production levels at many Montana mills and closure of the American Timber Co. sawmill in Olney in July 2000.

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However, the actual effect on employment was even larger than these numbers suggest, Keegan said, since some firms continue to count temporarily laid-off workers as employees. Also, workers at many mills worked less than 40 hours per week. Consequently, the decline in wages was much larger than the decline in employment. Production wages fell more than 21 percent -- from \$43 million in the first quarter of 2000 to \$34 million for the first quarter of 2001.

Compared with the first quarter of 2000, lumber production in the first three months of 2001 decreased 18 percent, from 341 million board feet to 280 million board feet. Plywood production also dropped, falling from 165 million square feet in the first quarter of 2000 to 141 million square feet in the first quarter of 2001, a decline of more than 14 percent.

Keegan said the outlook for the remainder of the year is uncertain. Lumber prices for many grades are up dramatically from January 2001, with nationwide composite lumber prices increasing more than 44 percent to \$381 per thousand board feet in May. In addition, salvaged timber from burned areas could increase the volume of available timber, lowering stumpage and log costs and providing some temporary relief in the near future for mills struggling with limited timber availability. However, concern about rising electricity prices continues to threaten the state's industry, Keegan said.

All figures refer only to production workers at timber-processing facilities and plants that process wood-fiber residue from timber-processing facilities. Production workers account for 40 percent to 50 percent of workers in Montana's forest products industry. Estimates do not include the several thousand workers in logging, trucking and other related jobs.

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