

# EFFECTS OF THE “GREAT RECESSION” ON THE FOREST PRODUCTS SECTOR IN THE NORTHERN REGION OF THE UNITED STATES

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**Abstract.**—The forest industry within the northern region of the United States has demonstrated a notable decline in terms of employment, number of mills, wood consumption, and forest harvests since 2000—a downturn exacerbated by the “Great Recession” of 2007-2009. Longer term industrial decline (since 2000) has been evidenced by reductions in secondary product (e.g., furniture) and print paper manufacturing, which can be attributed to the lack of global competitiveness of U.S. wages and ascent of electronic media. In contrast, more recent (since 2008), yet sharper declines can be found in industries such as composite panel production that service the housing industry. Despite a decade of decline, future prospects for this region’s forest industry may be viewed as positive. The region’s forests are predominantly within private ownership and represent some of the world’s most valuable sawtimber. Coupled with the natural resource is a present but underutilized industry with spare capacity and a highly skilled work force.

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## INTRODUCTION

The northern region, which for the purposes of this paper broadly includes New England, upper mid-Atlantic, Great Lakes, central hardwood, and eastern Plains states, supports 27 percent of the Nation’s timber volume and 46 percent of its hardwood resource (Smith et al. 2009). These hardwood-dominated forests contain over two-thirds (FIA 2012) of the Nation’s high-valued select hardwoods (e.g., select white oaks, select red oaks, hard maple, ash, and black walnut) and accounted for approximately 18 percent of the Nation’s hardwood removals in 2006 (Smith et al. 2009). These hardwood removals supply a large share (48 percent; Smith et al. 2009) of U.S. hardwood lumber production and this region is the principle source of high grade hardwood lumber, plywood, and

vener production. These products, in turn, are used by secondary manufacturers (e.g., kitchen cabinet, millwork, and furniture manufacturers) domestically and internationally.

Following the same trends as found across the United States (Woodall et al. 2012a), the northern region had declines in numerous forest products industries beginning in 2000 followed by a precipitous drop in the wake of the housing construction downturn (~2006) and recession of 2007 to 2009 (Woodall et al. 2012b).

Declines in production have been accompanied by declines in the number of mills and wood consumption for saw, pulp, and composite panel mills within the north central subregion (IL, IN, IA, KS, MI, MN, MO, NE, ND, SD, WI) of the region and reflect recent trends in these industries both nationally and regionally (Figs. 1 and 2). Mill numbers and wood consumption have generally fallen since 2000 for both pulp and composite panel sectors, with steep declines starting in 2005 (Fig. 1). By 2009 there were 25 percent fewer pulp mills processing 13 percent less

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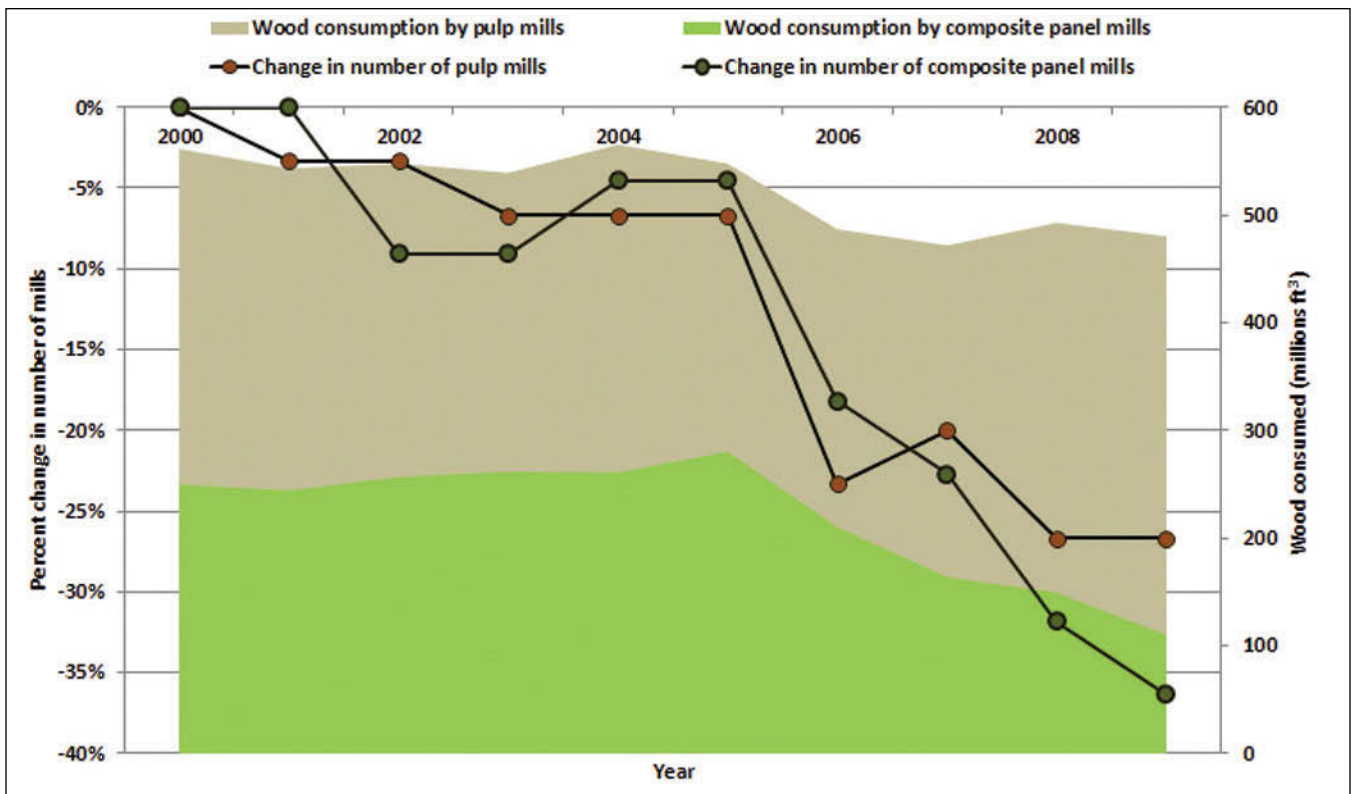


Figure 1.—Change (percent) in number of pulp and composite wood panel mills since 2000 and wood consumed by pulp and composite panel mills, 2000-2009, north-central states (IL, IN, IA, KS, MI, MN, MO, NE, ND, SD, WI).

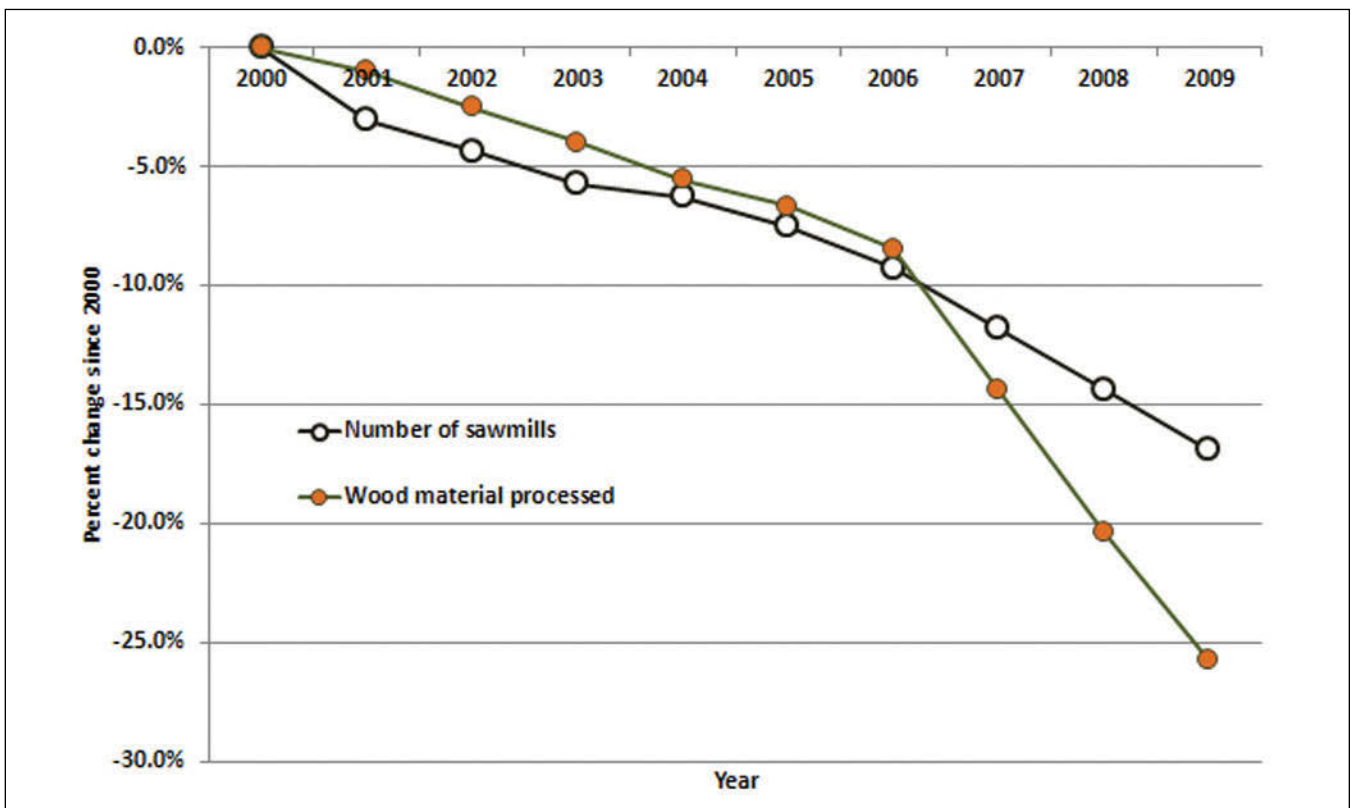


Figure 2.—Percentage change in number of sawmills and quantity of processed wood since 2000, 2000-2009, north-central states (IL, IN, IA, KS, MI, MN, MO, NE, ND, SD, WI).

pulpwood. These disproportional declines (percentage decline in mill number exceeds percentage decline in feedstock use) suggest a shift in productive capacity to larger and potentially more efficient mills despite the economic downturn. In contrast, 36 percent fewer composite panel mills in 2009 processed 56 percent less wood than peak production in 2005, a direct consequence of the fall of the housing market. Trends in the sawmill sector mirror those of the composite panel sector and are linked to the plight of the housing market (Fig. 2). From 2000 to 2006, sawmill numbers and wood consumption demonstrated similar percentages of decline. After 2006, the amount of wood consumed decreased faster than the decline in mill counts. This trend resulted in 17 percent fewer sawmills processing 26 percent less wood by 2009—an indicator that the remaining sawmills are running at less than full capacity.

Despite a decade of decline, future prospects for this region's forest industry may be viewed as positive. The region's forests are predominantly within private ownership and represent tremendous volumes of some of the world's most valuable sawtimber. The forest landowners of the northern region have been diligently managing their forests for generations as evidenced by the ever-increasing volumes for decades (USDA 2011). Coupled with this natural resource is a present but underutilized industry with spare capacity and a highly skilled work force. The continued development of competitive secondary industries in the United States to receive this region's high quality select hardwoods (e.g., walnut and select oaks) might increase regional employment while maintaining

critical positive international trade balances. The export of hardwood saw logs may provide a positive trade balance today but also represents the offshoring and loss of skilled U.S. labor into the future. In total, the highly abundant forest resource, mill capacity, and secondary product workforce skills in the northern region provide an economic opportunity to foster increased competitiveness and evolve beyond the downturn precipitated by the housing crash and years of offshoring the Nation's forest products industry.

## LITERATURE CITED

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