

Timber Industry Outlook, 2012

Arkansas Board of Registration for Foresters and Arkansas
Division of the Ouachita Society of American Foresters
Spring Conference
8 May 2012, Ferndale, AR



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Professor and George H. Clippert Endowed Chair



Road Map



❧ Arkansas's forest economy

❧ Current economic indicators

❧ Indications of timber economy in recovery



Arkansas's forest economy



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Arkansas's Forest Industry Economy – 2010 (latest data)

∞ Direct employment of 26,523



∞ Average labor compensation of \$51,473 annually



∞ Direct contribution of \$2.5 billion to GSP



Economic Multipliers

~ 55,306 jobs in Arkansas



~ \$2.6 billion in labor compensation

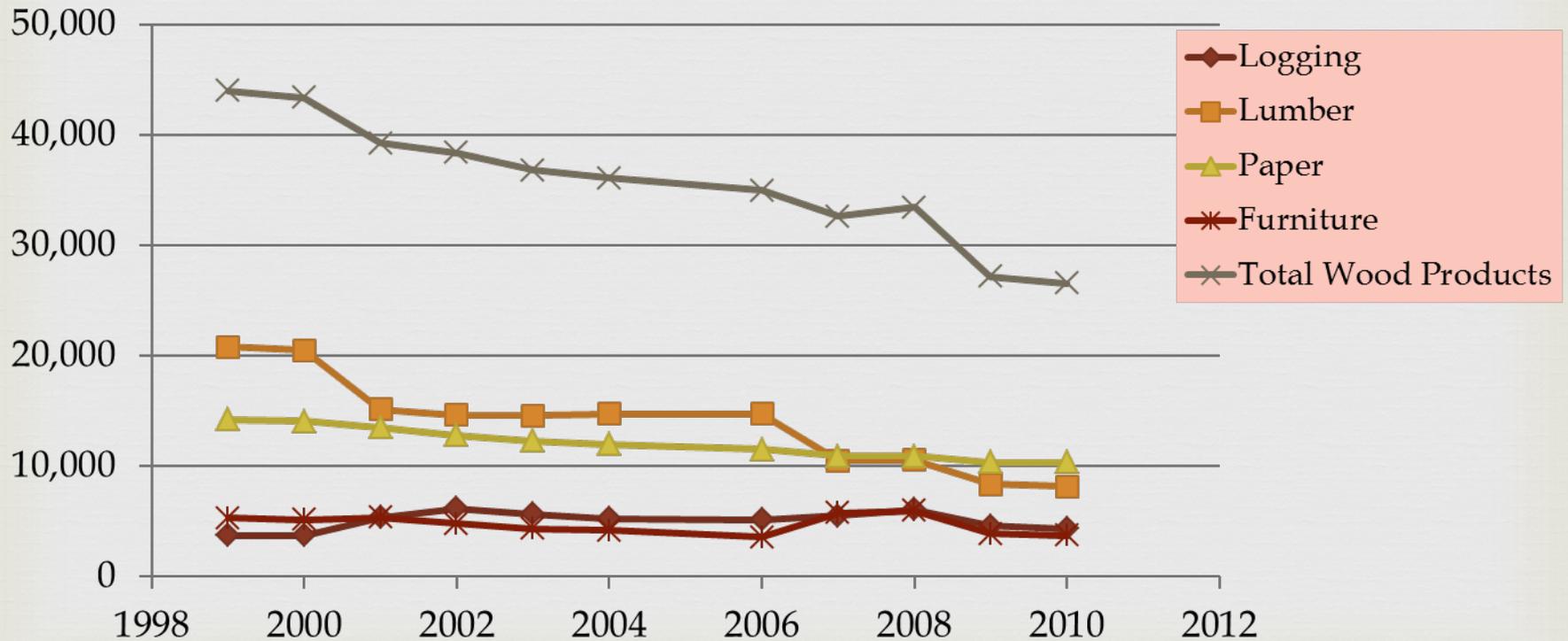


~ Value added of \$4.6 billion



Wood industry employment in Arkansas

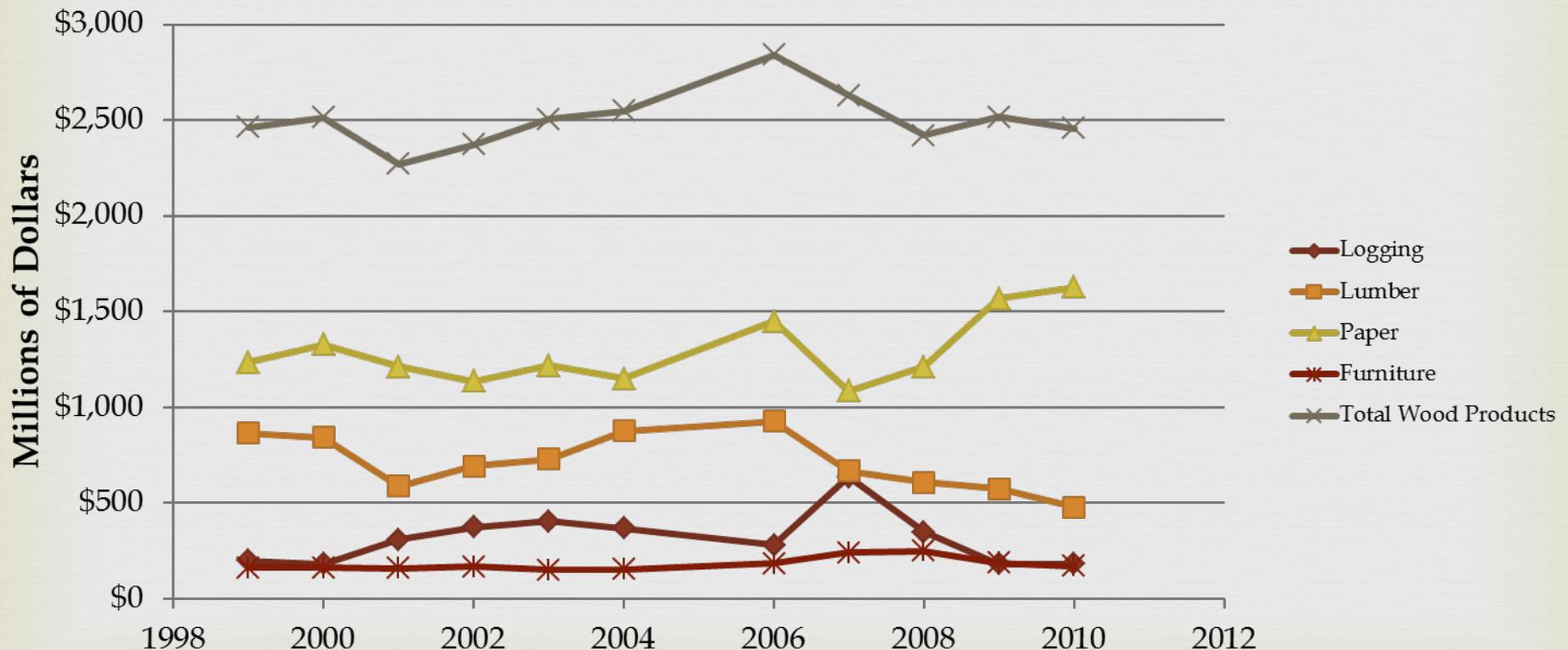
Employment in Arkansas's Wood Manufacturing Sectors, 1999-2010



It's a depression!



Value-Added in Arkansas's Wood Manufacturing Sectors, 1999-2010



Moody's Downgrades Forest Products Industry Outlook

- ❧ In 2011, Moody's rated industry as "stable"
- ❧ For 2012 to first half of 2013, rating is "negative"
- ❧ Concerns about industry operating income
- ❧ Sluggish economies in North America and especially Europe will reduced use of printed paper
- ❧ Continued weak U.S. housing market through 2012
- ❧ Some increase in packaging and tissue consumption

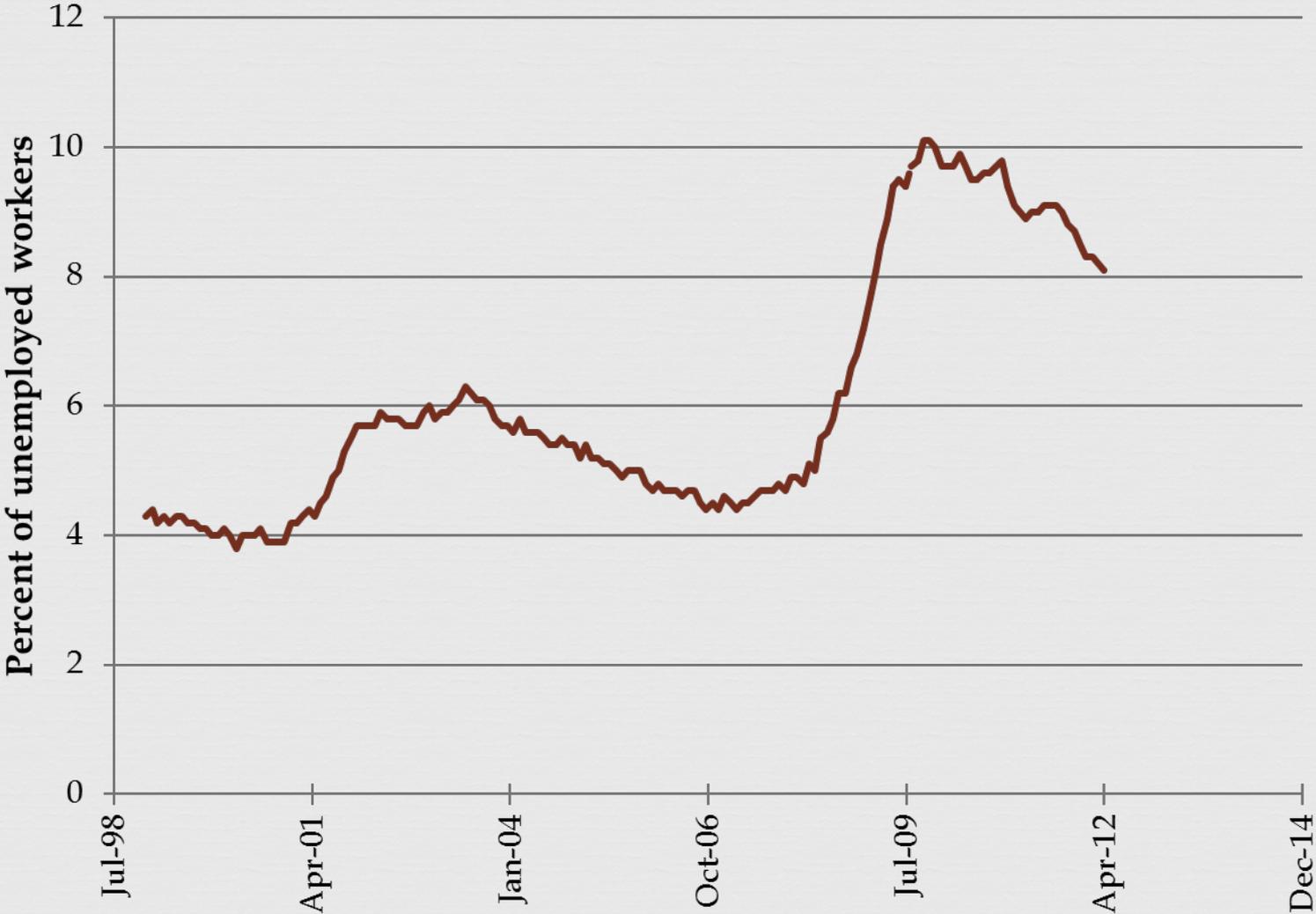


Economic Indicators in 2012



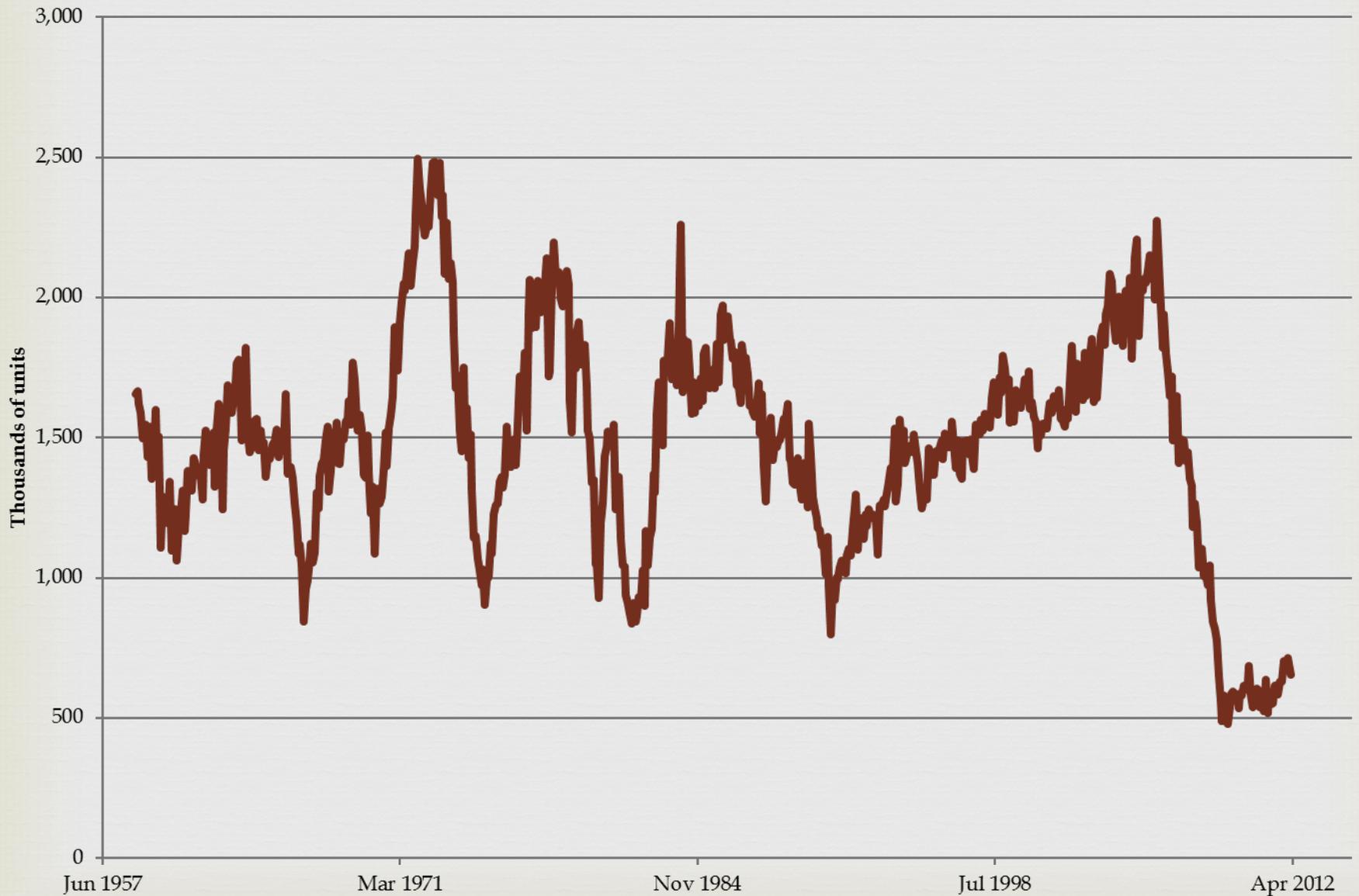
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US Unemployment rate 1999 to 2012



Housing Starts

Seasonally Adjusted Annual Rate

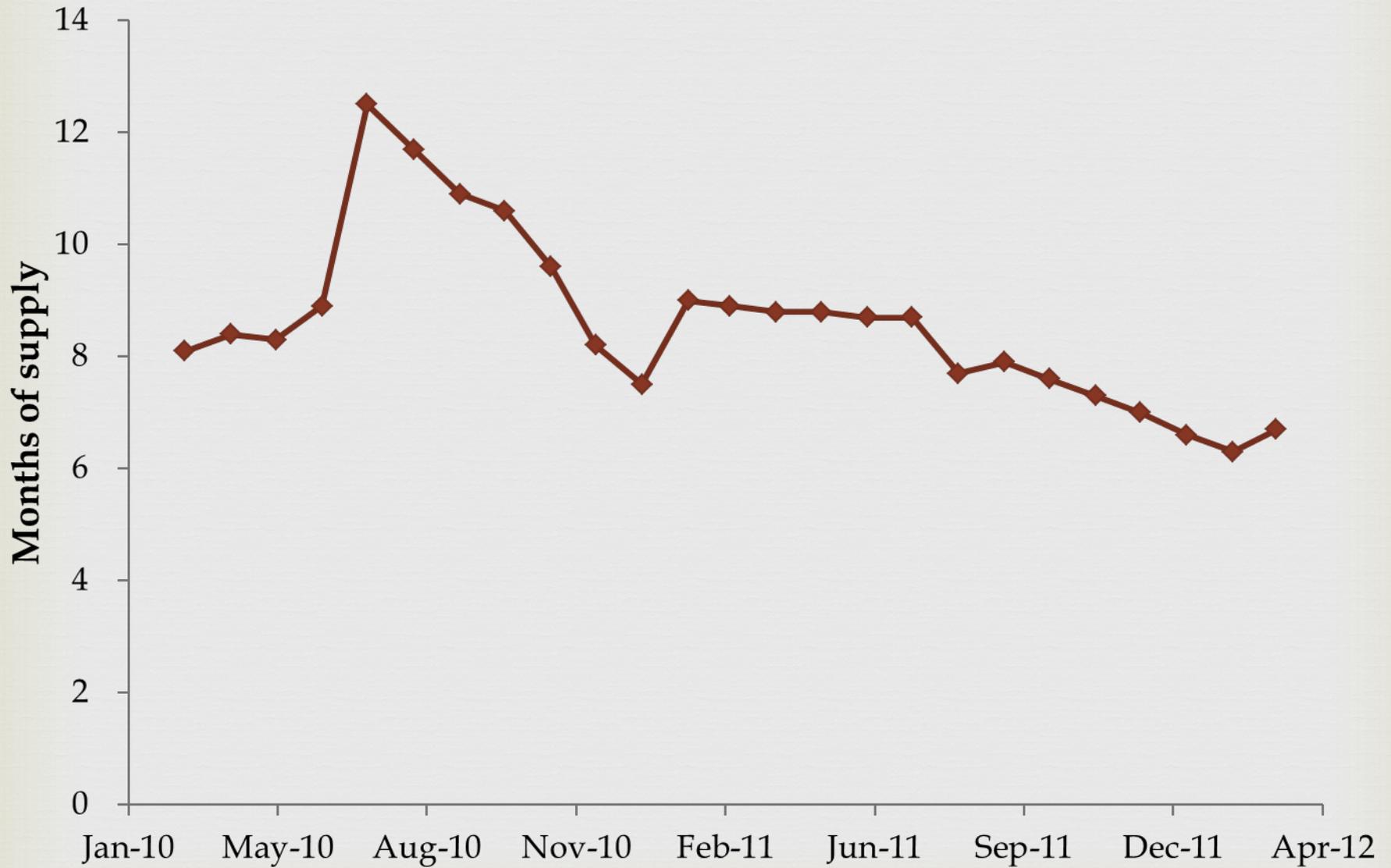


Housing Starts

Seasonally Adjusted Annual Rate



Supply of Existing Homes in USA



Pine Sawtimber Arkansas Stumpage Prices 2004-2012

(Prices are inflation adjusted in 2012 dollars)

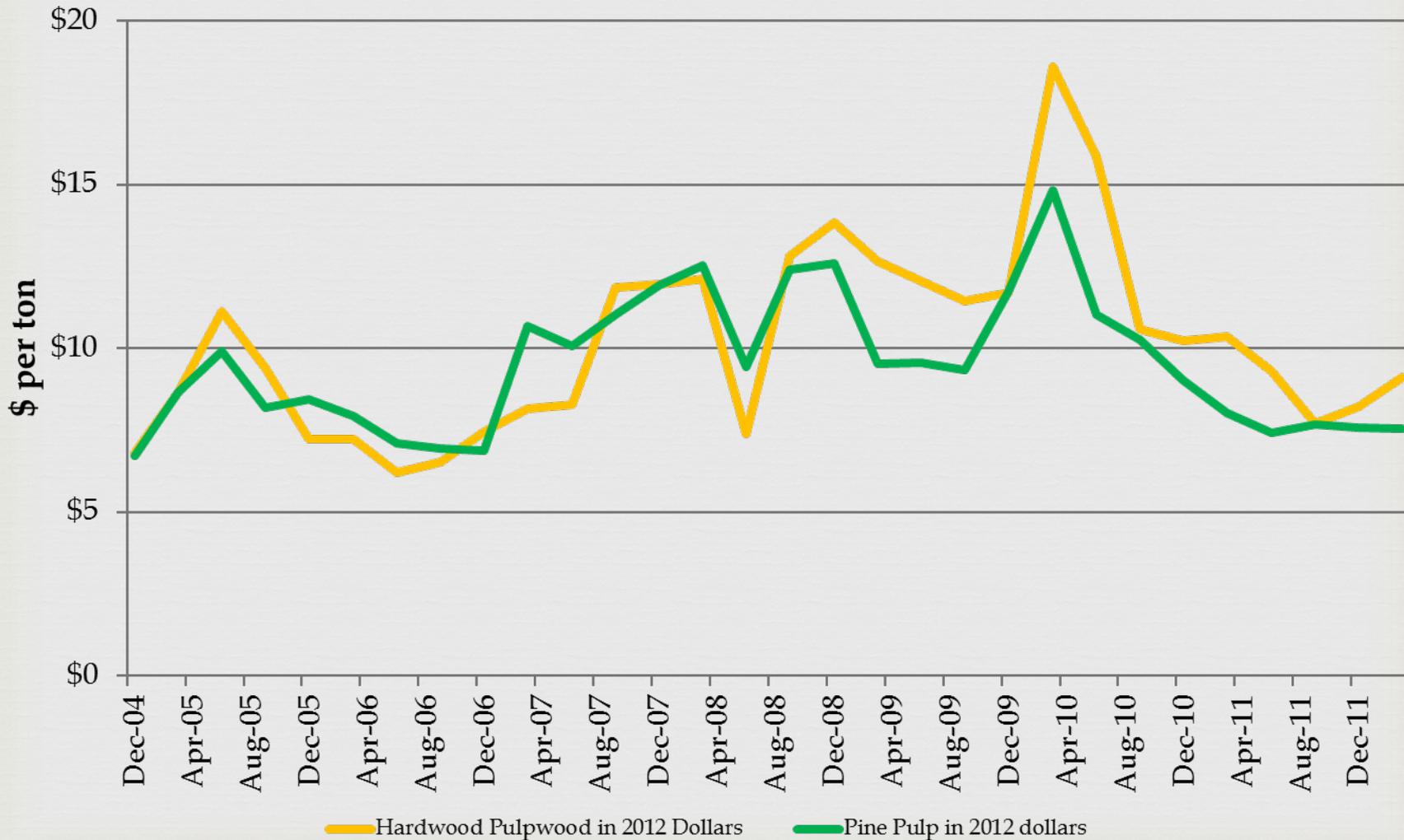


Oak Sawtimber Arkansas Stumpage Prices 2004-2012 (Prices are inflation adjusted in 2012 dollars)



Pine and Hardwood Pulpwood Arkansas Stumpage Prices 2004-2012

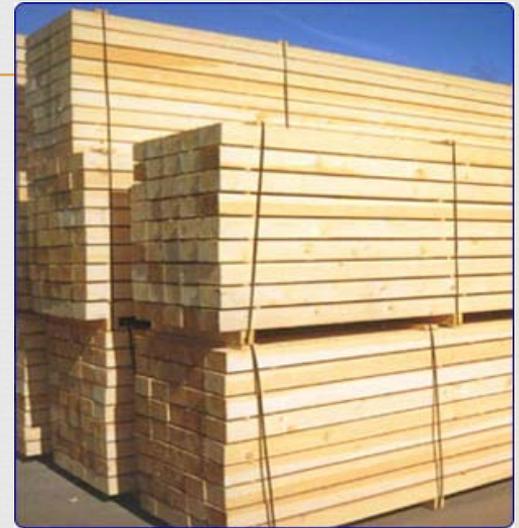
(Prices are inflation adjusted in 2012 dollars)



Wood Market Indicators



- ❧ Lumber prices up 2-6% over 2011
 - ❧ Panel prices up 12% over 2011
 - ❧ Southern lumber production up 9% and is back to 70% of 2006 levels
-
- ❧ Pulp and paper production down 2-4%, about 90% of 2006 production
 - ❧ Softwood pulp prices stable
 - ❧ Hardwood pulp prices up in last quarter but still down from last year



Energy prices



Diesel Fuel (Highway) Price in US Gulf Coast



Opportunities for the future

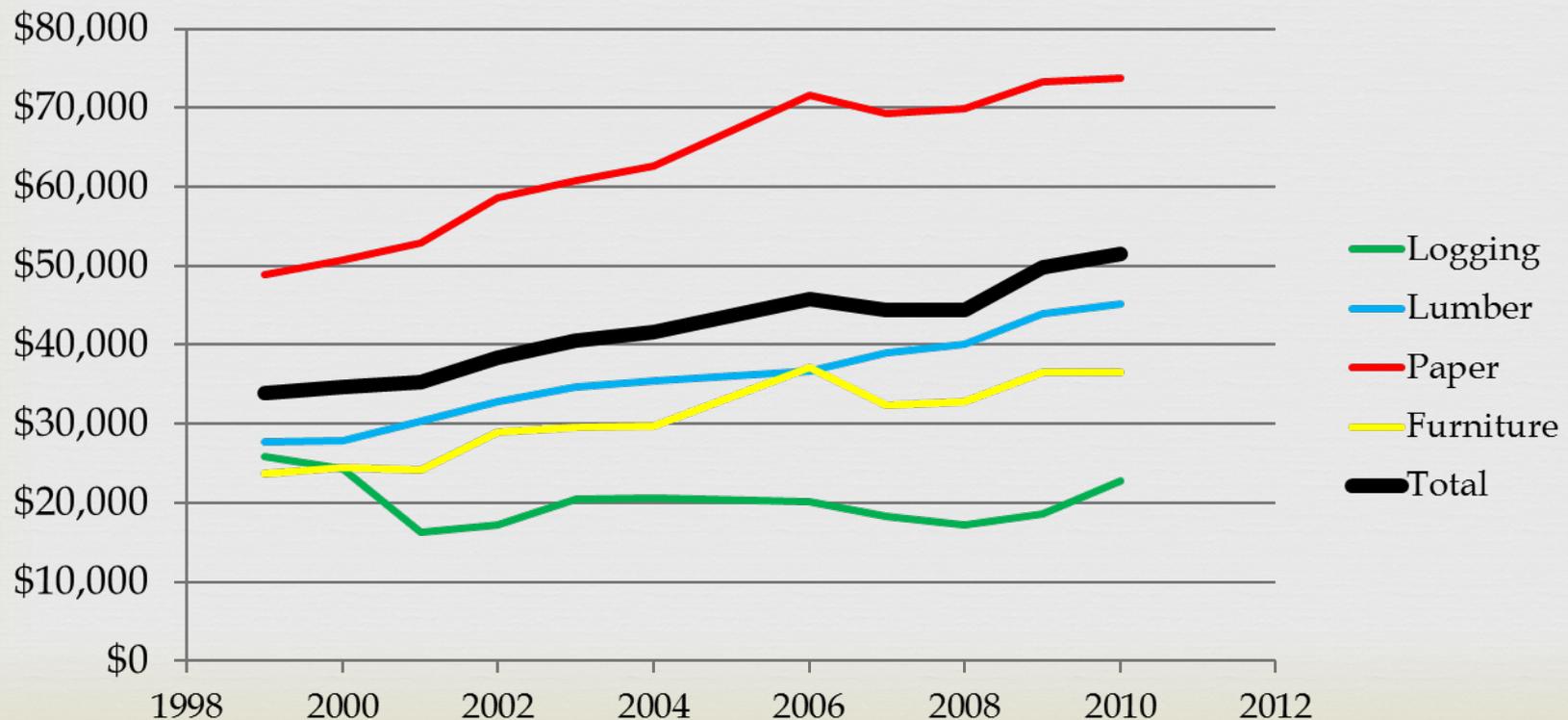


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Forest wages increasing!



**Average Annual Employee Compensation in Arkansas's
Wood Manufacturing Sectors, 1999-2010
(not adjusted for inflation)**



Forest Is Growing



- 267,727,974 tons of pine growing stock
- 471,450,911 tons of hardwood and other softwood growing stock
- Total of 739,178,885 tons of growing stock
- Growth to drain ratios:

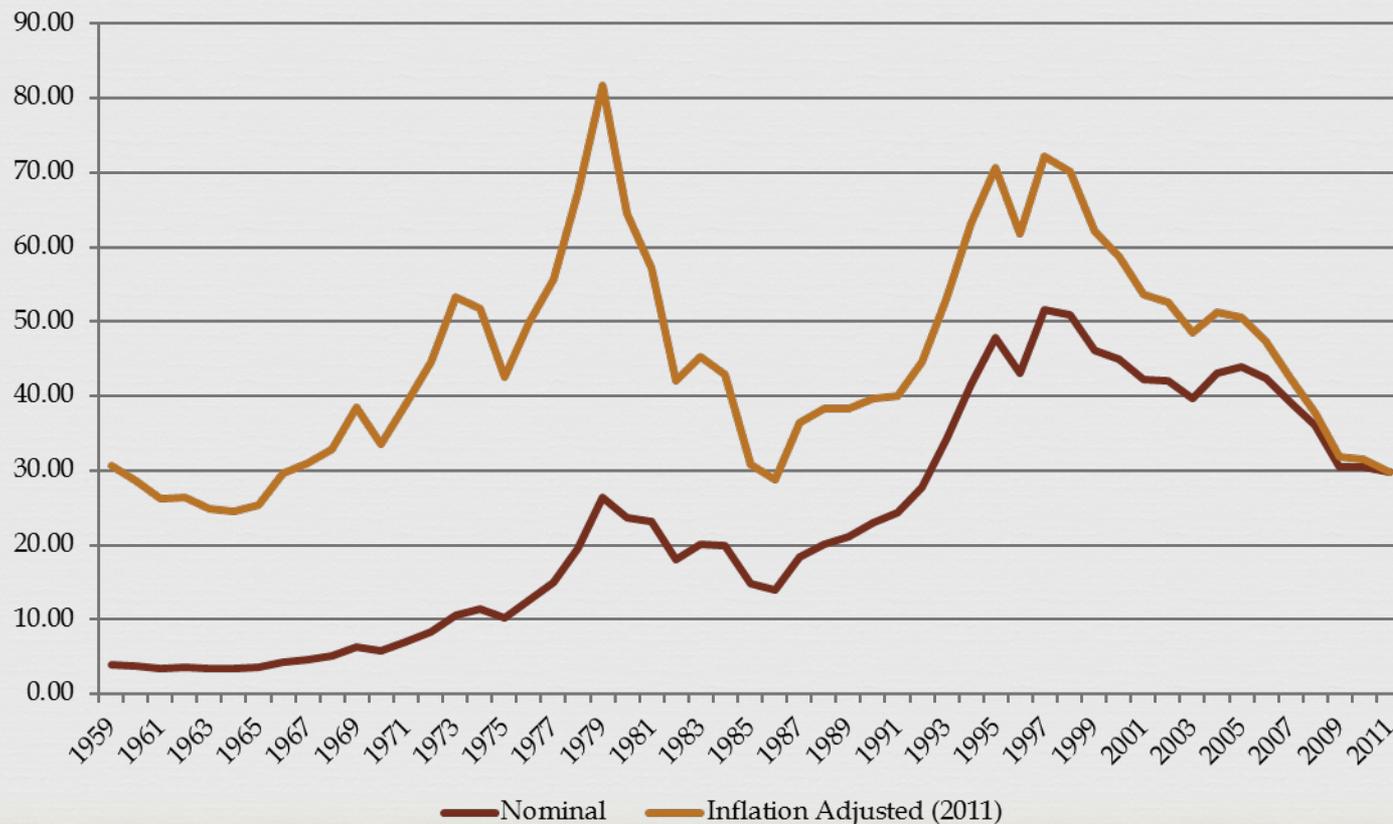
	Growth	Removals	Ratio
Pine	21,579,720	16,703,283	1.29
Other	16,552,744	8,977,976	1.84



We've been through timber price cycles before....



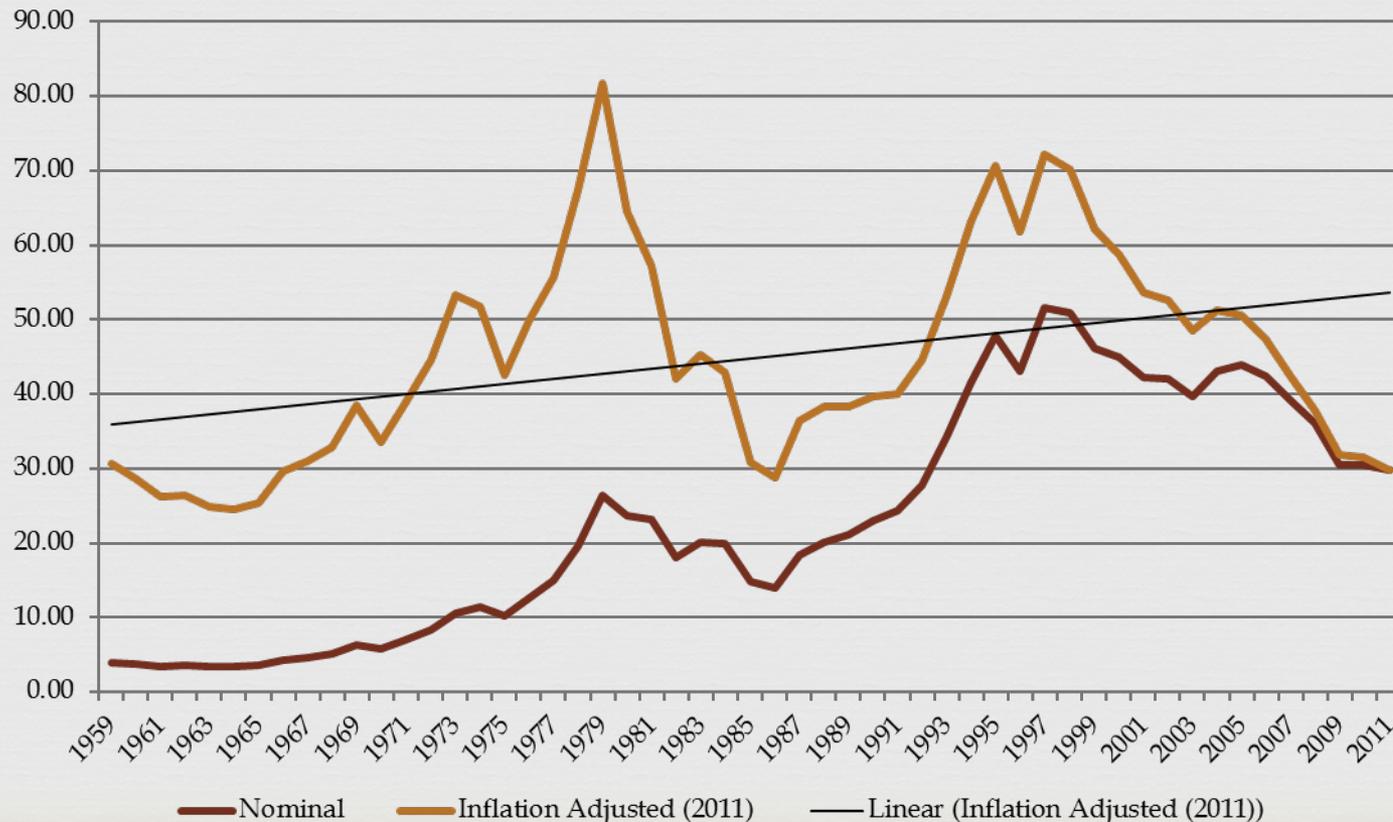
Stumpage Prices for Pine Sawtimber, LA, 1959-2011



We've been through timber price cycles before....



Stumpage Prices for Pine Sawtimber, LA, 1959-2011

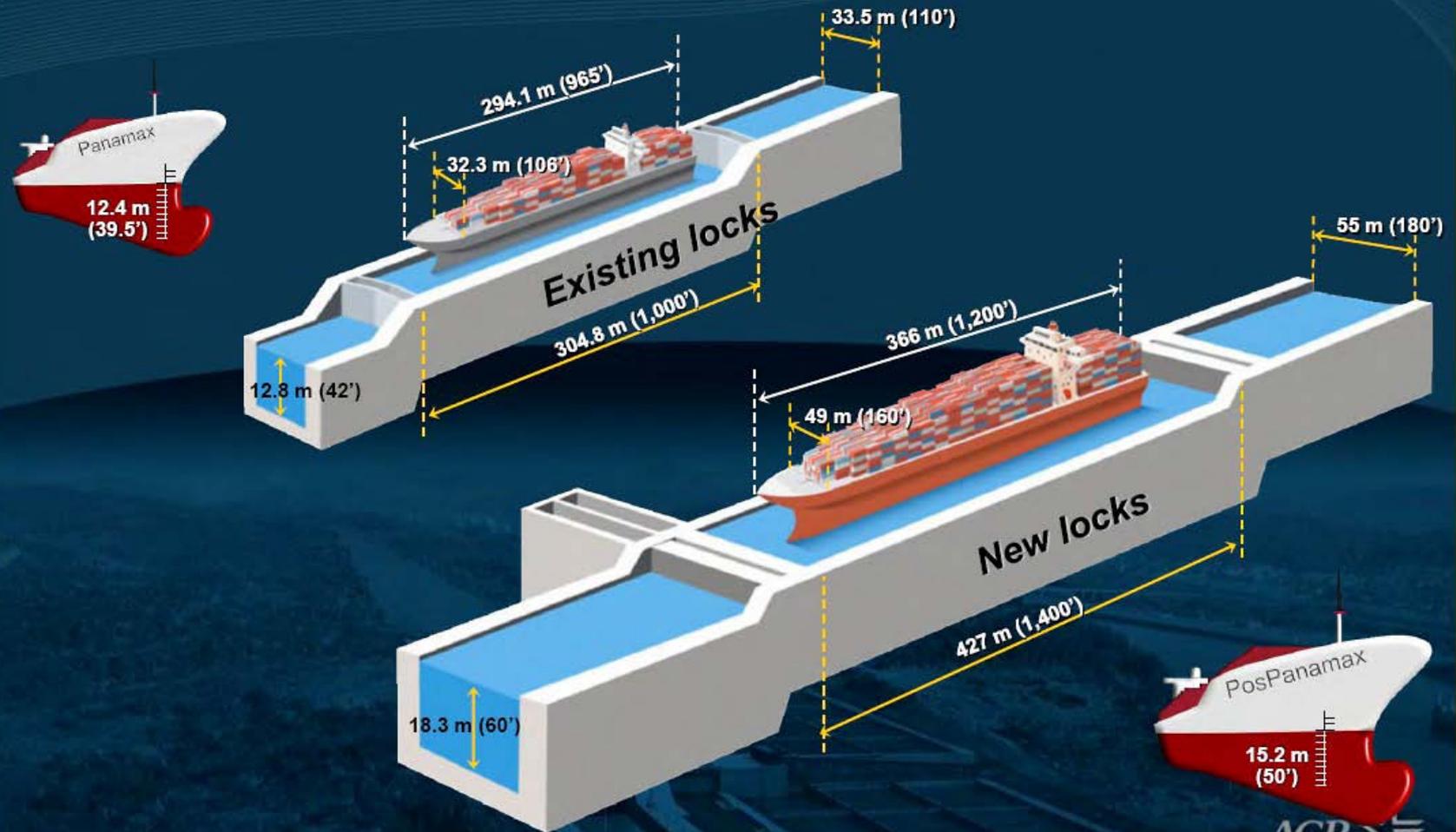


Existing industry expansion



Panama Canal Expansion - 2014

Existing locks' maximum vessel **4,800 TEU**



New locks' maximum vessel size: **12,600 TEU**



New expansion?



New expansion?





CO. 1 JAG
CHIPP. WA. DIV. 4
1867.