Changes in Hardwood Lumber Production

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Organization

- Regions defined by the USDA
- Changes in hardwood lumber production nationally and by region
- The influence of demand and price
- Differences among states
Eastern Hardwood Lumber Production 1958 to 2008
## Regional Changes in Hardwood Lumber Production (MM bf)

<table>
<thead>
<tr>
<th>Period</th>
<th>Northeast</th>
<th>North Central</th>
<th>Southeast</th>
<th>South Central</th>
<th>Total Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966 to 1982</td>
<td>374</td>
<td>139</td>
<td>-1</td>
<td>-1,024</td>
<td>-512</td>
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<tr>
<td>1982 to 1990</td>
<td>909</td>
<td>1030</td>
<td>97</td>
<td>1,313</td>
<td>3,349</td>
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<tr>
<td>1990 to 1999</td>
<td>459</td>
<td>189</td>
<td>235</td>
<td>189</td>
<td>1,072</td>
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<tr>
<td>1999 to 2008</td>
<td>-1,111</td>
<td>-442</td>
<td>-586</td>
<td>-793</td>
<td>-2,932</td>
</tr>
</tbody>
</table>
Production Employment in Wood Household Furniture Industry
Production Employment in Kitchen Cabinet Industry
Index of Hardwood Lumber, Cross Ties and Pallet Cant Prices 2004 to 2009

- FAS
- 1C
- 2C
- Pallet
- Tie

2004 = 100

2004 2005 2006 2007 2008 2009
The Percent of Hardwood Lumber Consumed for Industrial and Appearance Applications

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>32</td>
<td>40</td>
<td>34</td>
<td>37</td>
<td>60</td>
</tr>
<tr>
<td>Appearance</td>
<td>68</td>
<td>60</td>
<td>66</td>
<td>63</td>
<td>40</td>
</tr>
</tbody>
</table>
Decline in Hardwood Lumber Production From Winter of 2008 to Winter of 2009

North-Central
27 to 29%

Northeastern
28 to 30%

South-Central
32 to 33%

Southeastern
32 to 36%
States that are Stinging – Production Down 10 to 20 Percent

- TX – Cross ties and board roads
- MO – Cross ties and pallets
- MN – Local markets
- NH – Local markets
- VT – Local markets
- IN – Quality
- MD – Don’t know
Other States are Hurting, Really Hurting or in Real Pain

- Hurting – production down 25 to 30 percent
  - PA, NY, LA, VA, IA, OH

- Really hurting – production down 35 to 40 percent
  - TN, MS, KY, NC, MI, ME, WV

- Real pain – production down more than 45 percent
  - AL, GA, WI, CT, MA
Eastern Hardwood Lumber Production 1958 to 2009

Millions of board feet

Years: 1958 to 2009
What Else are We Seeing

- Tie log prices being paid for higher grade sawlogs
- Very good looking cross ties, some with FAS faces
- Reports of cherry being used to produce cross ties
- Shortages of residuals (chips, dust, bark, etc.). Some of the traditional users of residuals are now consuming roundwood
What's Going to Happen when Demand Picks Up – Short Run

- If demand slowly increases in the near future, the initial impact will be moderate increases in lumber price because of all the inventory currently on hand.
- If demand increases in the distant future inventories will be largely liquidated and prices will shoot up quickly.
What's Going to Happen when Demand Picks Up - Long Run

- In the long term, prices could increase substantially with increased demand because we have permanently lost approximately 25 to 35 percent of our production capacity in the last 18 months.

- More troubling is the loss of loggers and the remaining loggers may be harvesting more material for bio fuels.