

C I N T R A F O R

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Washington 's Sawmilling Sector Analysis: Capacity Utilization Rates and Timber Outlook

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Executive Summary

The study produced an assessment of the lumber manufacturing sector. It analyzed the changes in this sector and its relation to timber harvest levels. The study's objective was to determine whether Washington 's sawmilling sector can expand or not, given a projection of future timber harvest levels.

We analyzed the Washington State Department of Natural Resources mill surveys from 1968 to 2002. The analysis first defined five timbersheds in western Washington and two timbersheds in eastern Washington . The study then focused on an analysis of capacity utilization by the sawmilling sector. We produced trends of utilization rates and discussed potential reasons why the rates have changed over time and among timbersheds. Periods of high prices were related with periods of high utilization rates, with exception. During the 1980's, there occurred a shutdown of capacity that improved the average utilization rate for the sector following a collapse of high lumber prices in 1979. Currently, the average utilization rate is at historically high levels as one might expect given the strong U.S. housing sector. Lumber prices have recovered from a short period of lower prices, and they are currently at near-high levels providing impetus to the high capacity utilization in the sawmilling sector. We also found differences in the utilization rates among the timbersheds, and they are presented in the body of the report.

We followed the capacity utilization analysis with an assessment of log consumption. Log use by the sawmilling sector within respective timbersheds was compared with the timber harvest level. Except for the South Coast, Southwest and eastern Washington timbersheds, sawmills were now, by far, the main consumer of the harvest level. Substantial amounts of saw logs continue to move from one timbershed to another. In 2002 approximately 600,000 mbf of timber was transported across timbershed boundaries to be used by sawmills in other timbersheds. Timber heading to Oregon continued to be significant, and logs imported from British Columbia were now occurring.

We examined the potential supply of timber for western Washington timbersheds. The complexity of projecting uneven-aged stands found in eastern Washington limited the analysis to western timbersheds. While the projection was considered preliminary, it was a useful first step to gauge the wood availability required to maintain or expand the sawmilling capacity in western Washington. Further sensitivity analysis is required but was beyond the scope of this phase of the research. The projections indicated that current harvest levels can be sustained, and in the South Coast timbershed, the harvest level can be increased over the next several decades. There did not appear to be any indication that the harvest level will fall below the current level of 2.8 billion board feet. Timber inventories in all timbersheds revealed a significant growth in volume in older age classes given the projected harvest level suggesting there exists the potential for a higher, future harvest level if these forested lands were made available for timber production.

Our projections assumed current harvesting conditions will continue to exist into the future. One conclusion we draw from the analysis is that the biological potential of the timber land itself will not likely be a constraining factor in future timber harvest levels. Rather, regulatory and land-use factors are more likely to impede a harvest level that coincides with the biological potential of the forested lands.

There are important policy implications from our findings. Lumber manufacturing in Washington has become the principal consumer of wood fiber in the state, and we projected, given their current high rates of capacity utilization by existing mills and the biological potential for increasing harvest levels, that lumber manufacturing can expand. While Washington 's forest products sector has changed substantially due to the significant decline in timber harvest level over the past decades, the sawmilling sector has maintained its level of use of the harvest during this time. There has been a substantial decline in the number of sawmills, and the volume of log that crossed timbershed boundaries continues to be significant, but still, lumber manufacturing, a sector that consumed a small percentage of the log harvest level 20 years ago, is now the predominant end-user of logs harvested in Washington, and it is in a position to grow. The change in the composition of the forest sector was not driven by a substantial growth in lumber manufacturing but rather the decline in timber harvest levels and its impacts of the other forest sectors in Washington, primarily log exports.

The lumber manufacturing sector has not been without its share of change however. There has been a consolidation of milling capacity, and with it, a reduction in the amount of labor employed by sawmills. Lumber mills in Washington have transitioned from a large number of smaller-sized mills capable of utilizing a wide range of log sizes to a consolidated sector that utilizes smaller logs with more capital and less labor. There is also much less mill-type diversity within the sector.

We conclude that harvest levels in the future are such that they should allow for lumber manufacturing to expand. We support this conclusion with the facts that capacity utilization rates have been high during the past decade and that timber harvest levels in Washington have adjusted to a lower level than in previous decades. The harvest level simulations suggested that current harvest levels are sustainable into the future over a couple of rotations. The simulations assumed conditions today will continue into the future. For this reason, further work is needed to assess changes in land-use patterns and regulatory constraints that may impact future timber harvest levels from Washington 's forested lands.

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