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North American Softwood Sawmills Expand Capacity, Productivity Economics, Demographics Point to Continued Demand

MADISON, Wis.—The North American softwood sawmill industry as a whole has grown about 2.4 percent per year since 1995. The U.S. half of the industry has grown nearly as fast and has recovered ground lost in the early 1990s, according to economists at the USDA Forest Service Forest Products Laboratory (FPL). In a report issued this week, economists Henry Spelter and Matthew Alderman also report that conditions are favorable for continued long-term activity in housing and demand for softwood products.

The report, titled “Profile 2005: Softwood Sawmills in the United States and Canada” updates a report published in 2003. The report is available on FPL’s Web site and can be downloaded without charge (http://www.fpl.fs.fed.us/documnts/fplrp/fpl_rp630.pdf). The update is scheduled to be printed in October.

The combination of low interest rates, demographic growth among young adults and a strong underlying demand for housing all point to continued demand for softwood lumber and other mill products, according to Spelter and Alderman. In the near-term, interest rates pose a cyclical risk to housing demand.

Perhaps an even greater threat to the industry could be oversupply, resulting from large volumes of available timber and increased capacity, productivity and efficiency.

From 1995 to 2005, the capacity of primary sawmills in the United States and Canada grew from 63 billion to 80 billion board feet. The increased production capacity occurred despite a reduction in the number of sawmills, from 1,253 in 1999 to 1,067 in 2005.

Capacity increased the most in British Columbia where large numbers of beetle-killed Lodgepole pine became available during the past two years. Thanks to second-growth timber on private lands, Western U.S. sawmill capacity also grew strongly in the past three years, recovering from losses in the early 1990s when reduced government timber sales caused many mills to close.

Productivity made significant gains in both Canada and the United States during the past decade. Though capacity was increasing, employment in U.S. softwood sawmills declined from 66.2 thousand in 1995 to 55.3 thousand people in 2004. In Canada, employment declined from 49.2 thousand to 43.7 thousand during the same period. Output per employee increased some 45 percent in the United States and 50 percent in Canada.

Spelter and Alderman also looked at differences in log size available to mills and at differences in the amount of lumber recovered from each log. In the 1970s, the standard minimum size was 8 inches but technology has enabled mills to use logs with a top diameter as small as 4.5 inches, and even smaller in some cases. Prior to the 1990s, such trees would have been regarded as suitable mostly for pulping. Industry efficiency in recovering usable lumber from logs has also grown; dimension sawmills increased their yields from an estimated 6.5 board feet per cubic foot in the 1970s to 7.5 in 2004.

The USDA Forest Service Forest Products Laboratory was established in 1910 in Madison, Wis., with the mission to conserve and extend the country's wood resources. Today, FPL's research scientists work with academic and industrial researchers and other government agencies in exploring ways to promote healthy forests and clean water, and improve papermaking and recycling processes. Information is available at FPL's Web site: www.fpl.fs.fed.us. Through FPL's Advanced Housing Research Center, researchers also work to improve homebuilding technologies and materials.

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