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NEWS RELEASE

Aug. 24, 2004

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FOREST SERVICE/UM STUDY: CALIFORNIA'S TIMBER PROCESSING CAPACITY IN DECLINE

MISSOULA —

Between 1988 and 2001, California's forest products industry's annual capacity to process timber decreased by nearly 60 percent, from 6 billion board feet to 2.5 billion board feet, a U.S. Forest Service and University of Montana study released today shows.

"Declining timber availability in California has directly led to mill closures, lost jobs and lower in-state lumber production," said Charles E. Keegan III, director of Forest Industry Research at UM. "In 1988, 93 sawmills were operating in California, but by 2000 this number had been cut by more than half, with a considerable number of larger mills closing up shop."

In 2001, just 1.9 billion board feet of timber was processed in California compared to 3.8 billion board feet in 1988.

Researchers cited three primary factors for decreased timber harvest and lumber production: drastically decreased harvesting of trees from government land, increased state government regulations and market conditions.

"Harvests from federal timberland in California declined 86 percent between 1988 and 2001 due to numerous policy and legal constraints," said Keegan, who headed up the study, which was co-authored by researcher Todd Morgan. "Increased state and local mandates as well as 2000-01 market conditions pushed private forestland production lower by 43 percent between 1988 and 2001."

The 2000-01 market conditions that impacted California's capacity to process timber

-more-

include the strength of the U.S. dollar, a strong home building market, high level of consumption and a weak global economy, Keegan said.

“Our research indicates that most mill closures didn’t simply happen due to poor lumber prices, but rather mills were much more adversely affected by timber availability and operating costs,” continued Keegan. “Even in years with lumber prices at or near record-high levels, there was a consistent drop in California’s processing capacity during the 1990s.”

As mills find it harder to get wood in California, they increasingly look outside the state for available timber. Between 1988 and 2000, imports of logs for processing increased nearly 1,000 percent.

“Many mills have been running at lowered capacities, indicating that owners are not able to expand or add jobs but simply trying to survive,” Keegan said. “They are looking at a larger geographic area to find the wood to stay in business.”

California’s forests continue to see very strong growth at the same time timber processing has been in drastic decline. In 2000, net tree growth was more than 5 billion board feet with less than half of this growth being harvested.

“Unfortunately, the combined weight of decreased timber availability, increased state regulation and sometimes unfavorable market trends has resulted in the drastically diminished size and scope of California’s primary forest products industry, causing a net loss of some 15,000 jobs since 1988,” concluded Keegan.

Development of this report represents a cooperative effort between UM’s Bureau of Business and Economic Research and the USDA Forest Service, Pacific Northwest Research Station. The study can be found online at http://www.fs.fed.us/pnw/pubs/pnw_gtr615.pdf.

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