



# *Kentucky's Forest Industry - Down But Not Out*

The current economic downturn has negatively impacted Kentucky's forest industry, from the logging sector to the producers of finished goods and everyone in between. Our forest industry was responsible for a peak of \$8.1 billion in economic impact for the Commonwealth several years ago, and while it has been rocked, it has not and will not collapse. The final economic response of our forest industry to the economic downturn will not be known for several years. However, verbal reports from sawmills and secondary forest industries that make furniture and other finished goods and logging data and information from consulting foresters provide a snapshot of the condition of the forest industry.

## *Kentucky's Sawmills - weathering the storm and positioning for the future*

*by Bob Bauer, Executive Director, Kentucky Forest Industries Association*

The forest products industry in Kentucky continues to move through difficult times with hope that the economy and markets will get better as the year moves along. Hardwood production figures have been declining over the past couple of years and seem to have reached a low point. National production figures have declined from 12.6 billion board feet in 1999 to under 7 billion board feet in 2008, a 44.4 percent reduction.

Production figures this year continue to show a decrease. A number of mills are seeing some market improvement, related primarily to inventory reductions, but not substantial improvements in sale of finished wood products. The past winter brought reductions in lumber production and cutbacks at many processing facilities. This decrease in production is now finally catching up, allowing better movement of available wood to processing facilities.

The lower production and declining markets have resulted

in the forced closing of many facilities and job loss in the industry, which have reduced the availability of logs and the resulting loss of loggers throughout the state.

These factors have resulted in a squeeze on the industry. Less timber is available on the market due to lower stumpage prices, and at the other end, consumers in the current economy are not willing to pay more money for durable goods such as furniture, cabinets, and flooring. These factors, combined with a continued slowdown in the housing market, have created a very challenging market atmosphere.

On the bright side, wood products industries in Kentucky have tightened the ship and seem to be surviving better than in some other states. The general feeling within the industry is that a steady improvement is under way and markets will continue to slowly improve into 2010.

## *Secondary Industries -*

*producers of finished products have experienced a 35-50 percent reduction in sales*

*by Bobby Ammerman, Secondary Wood Industry Technical Advisor, UK Forestry Extension*

The secondary wood industry, both in Kentucky and nationally, has certainly seen better days. The industry includes those facilities that produce products such as cabinets, hardwood flooring, millwork, cooperage, dimension components, hardwood pallets, and other value-added products. The health of the secondary wood industry is directly connected to the national economy and specifically housing starts and remodeling, for which many of the products produced by the industry in Kentucky are manufactured. A reduction of any kind in new home building will have a negative impact on this industry, and several facilities across the state have been sold or closed as a result of the current economy. Several others are reporting a decline in sales of as much as 50 percent. The Hardwood

Market Report ([www.hmr.com](http://www.hmr.com)) is reporting that the cabinet, wood furniture, and flooring industries have all had reductions nationally in sales and shipments of approximately 35 percent on average, which strongly correlates to the reduction in housing starts - 50 percent since 2007. Kentucky's industry will probably not see much improvement until housing starts and the economy in general begin to improve. Many experts are predicting some improvement beginning in late 2009 or early 2010, with more significant improvements by 2012.

## Logging and Timber Revenue Loss - 40 percent reduction in logging means a direct loss of \$46 million to woodland owners and \$230 million to rural economies

by Jeff Stringer, Extension Professor, UK Forestry Extension and  
Mark Schuster, Kentucky Master Logger Program Coordinator,  
Kentucky Division of Forestry

Logging provides the resource that supports the wood industry in Kentucky, and the strength of the wood industry can be gauged by logging activity. In Kentucky, the number of Kentucky Master Loggers and the number of logging sites inspected by the Kentucky Division of Forestry provide data that reflect the strength of the logging sector. Figure 1 shows the number of Kentucky Master Loggers (KMLs) by year. The high number of loggers obtaining their KML designation in 2000 and the relatively high numbers doing so in 1998 and 1999 are attributable to the initiation of the Kentucky Forest Conservation Act in 2000. The inset shows the steady decline in new loggers since 2004. The total number of KMLs is currently at 3,010, a 26 percent drop in loggers compared to the high of 4,055 in 2004 (Figure 2).

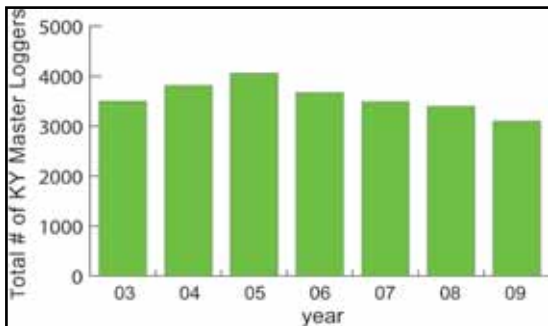


Figure 2. Total number of Kentucky Master Loggers (2009 projected from registration records.)

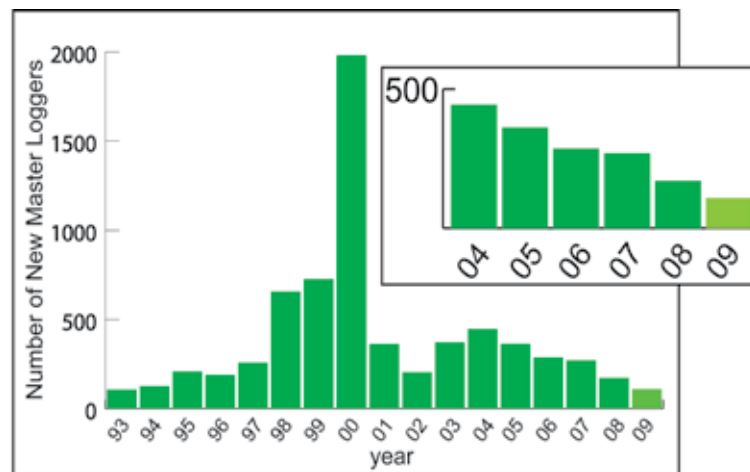


Figure 1. The number of loggers by year obtaining their Kentucky Master Logger designation. The inset shows activity over the last six years.

The number of logging inspections is also an indicator of the strength of the logging industry. Data from the Kentucky Division of Forestry indicate that logging sites inspected hovered around 1,000 (980 to 1,079) in the first six months of 2006, 2007, and 2008. However, only 658 logging sites were inspected during the first half of 2009. While part of this reduction was a result of fewer logging inspectors in 2009, accounting for this still indicates a drop of approximately 27 percent in logging activity in 2009. Both of these factors indicate a pronounced reduction in the number and activity of loggers in 2009. This reduction in logging activity represents a loss of \$46 million in timber revenues for landowners in Kentucky, a loss of 2,384 jobs, and a total loss of \$230 million for rural economies through the reduction in sawmilling since 2004.

## Timber Sales - unsold timber common across the state

by Billy Thomas, Extension Forester, UK Forestry Extension

Timber sale activities are another way to look at the status of the wood industry. To better understand how timber sales activities have changed over the last year, several consulting foresters with the Kentucky Association of Consulting Foresters ([www.kacf.org](http://www.kacf.org)) graciously shared the following information from Eastern, Central, and Western Kentucky.

**Eastern Kentucky:** Consulting foresters are generally advising woodland owners to hold off on timber sales until markets improve. The number of sales has drastically decreased, and consulting foresters are receiving very few calls from mills looking for timber. Prices are down approximately 30 percent, with red oak suffering the most. It has also been harder to move yellow-poplar because of the indefinite closing of the Weyerhaeuser mill in Hazard. One positive is that there seems to be more interest in developing woodland management plans and carbon inventories.

**Central Kentucky:** Slight improvement has occurred since January, when a number of mills were idled. While some mills are buying, the prices are down about 25 to 30 percent. The cedar market does not seem to be as negatively impacted as some other segments of the timber market. There is concern

about ash and the current quarantine related to emerald ash borer. Demand for railroad tie logs has remained reasonably strong, resulting in continuing sales of smaller diameter timber. The central region is also seeing an increase in woodland management plans and appraisals.

**Western Kentucky:** Woodland owners are being advised to hold off on timber sales if possible. Many timber sales have not received the minimum bids, and overall demand has also dropped significantly, as many mills have lowered their demand. Generally, timber prices are down about 30 percent, with lower demand for pulpwood. However, yellow-poplar and tie logs are still moving, albeit slightly discounted. The January ice storm caused some salvage logging that the markets were not ready for, and woodland owners and loggers suffered accordingly.

### Acknowledgements

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